



## NEWS SUMMARY

### GENERAL

**Lesley murder:** at new man, 39, closing low charged

Self-employed builder Donald Neilson, 39, was accused at Newcastle - under - Lyme of murdering 17-year-old Shropshire heiress Lesley Whittle. Asked if he had anything to say, Neilson told the magistrates' clerk: "Not guilty, sir."

Neilson, of Thornbury, Yorks, said he wanted to be represented by a Leeds solicitor. He was remanded in custody for three days to appear at Kidsgrove magistrates' court.

Kidsgrove police said last night that a woman was helping their murder inquiries.

### Brandt ex-aide jailed as spy

Herr Willy Brandt's former personal political aide, Guenter Guillaume and his wife Christel were jailed for 13 and eight years respectively in Dusseldorf. They were said to have photographed State documents which were handed over to East German couriers. Herr Brandt, whose downfall as West German Chancellor followed the unmasking of the Guillaumes, may now face a prosecution for negligence. Page 5

### Drivers in fog ignore new law

Traffic was held up for several miles on the M4 in one of the worst blizzards of fog this winter. The RAC reported that motorists were ignoring the regulation requiring them to use dipped headlights in poor visibility. Thirty people were injured in a series of 70 crashes on the A2 near Bexley, Kent.

### Schism solution

Father Oswald Baker, the priest sacked by his bishop for refusing to drop the old-style Tridentine mass, has agreed to his successor saying the new English mass at Downton Market parish church from January 1, while Father Baker says mass in the town hall assembly room.

### Spanish promise

Prime Minister Carlos Arias has promised to bring Spain closer to the systems of Government in Western Europe, but said it was premature to present a detailed programme. Page 5

### Four die in blast

Four chemical plant workers died and 79 were injured when a rail wagon filled with liquid chlorine exploded near Niagara Falls.

### Vicar accused

The Rev. Stephen Care, vicar of St. Chaffe, Whitleigh Green, Plymouth, will appear with his housekeeper before Torbay magistrates to-day, charged with a bank robbery and burglary.

### Briefly . . .

Mr. Kenneth Barnes, a Deputy Secretary in the Employment Department, will succeed Sir Conrad Heron as Permanent Secretary on February 21. Men and Matters, Page 18.

Fifty Egyptian villagers were drowned when a lorry plunged into a canal near the Qus, near Luxor.

Scottish Nationalists now have a seven-point lead over Labour in Scotland, according to an ORC poll for the Scotsman.

Security guard was shot in the leg when three armed men escaped with about £10,000 from Barclay's Bank, Lewisham, South London.

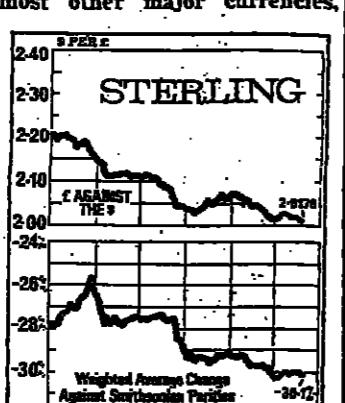
Iraq's bishops issued a statement declaring that Christianity and Marxism are completely incompatible.

Customs officer was committed for trial at Dover, accused with eight others of conspiring to evade the prohibition on the importation of cannabis. Page 30 and Lex

### BUSINESS

**Pound** at new closing low

STERLING reached its worst ever closing level against the dollar, losing 20 points on the day to \$2.6270. The pound showed little change against most other major currencies.



though with trade weighted average depreciation remaining unchanged at 30.1 per cent. The dollar's was 1.58 per cent. (1.59).

• GOLD lost 50 cents to \$138.35.

• EQUITIES made a little headway, in spite of last week's disappointing trade figures, and the FT 30-Share index closed 1.2 up at 363.5.

• GILTS, too, made progress, with mediums and shorts gaining. Longs lost up to 4. The Government Securities index lost 0.01 to 58.41.

• WALL STREET closed 3.78 up at 836.59.

• U.S. TREASURY Bill rates were: threes 5.50 per cent and sixes 5.84 per cent (5.88).

• U.K. MACHINE tool manufacturers expect a 50 per cent increase in the value of the industry's exports this year to about £180m. Page 7

• TRANS-OCEAN exploration has made a "significant" gas discovery in the southern sector of the North Sea. Page 7

### No bonus from Lifeguard

LIFEGUARD with-profit policyholders will have no bonuses added to their savings contracts this year, the company has confirmed. The decision affects 15,000 policyholders. Back Page 7

• FIGURES for housing starts for October of 32,000 were among the highest monthly figures recorded in the past three years. Page 7

• LONDON BRICK is cutting its brick prices by about 5 per cent as a result of substantial stock profits during 1975 following the upturn in the construction industry. Back Page 7

• PRICE COMMISSION has rejected 13 notifications of price increases in November, bringing the number of rejections to 133 since last December. Page 7

• THE CONFERENCE on international Economic Co-operation meeting in Paris to-day will hear criticism by Dr. Kissinger of the Third World countries' attitude towards OPEC. Feature by Malcolm Rutherford, Page 18.

• FORD is to raise the prices of its U.S. cars and trucks in the New Year by between 2.2 per cent and 3 per cent. Page 4

### LABOUR

• SHIPBUILDING and repairing industry managers have formed a trade union, the Shipbuilding and Allied Industries Management Association, in anticipation of nationalisation. Page 8

• VENESTA International moved from a £31m. profit in 1973-74 to a £4.8m. loss for the year ended March 31, 1975. Page 30 and Lex

### CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISKS	FALLS	FALLS
Treasury 11½% 1981 £951 + 1	Abercon Inv. 280 - 8	£10.50
Treasury 12½% 1983 £981 + 1	Weir 77 - 4	£10.50
Anglo-Amer. Asphlt 178 + 8	Weyburn Eng. 410 - 12	£10.50
Assoc. Newspapers 99 + 4	Whosoe. 46 - 4	£10.50
Bridon 151 + 4	Whinny Creek 40 - 14	£10.50
Caravans Int'l. 171 + 4	Yukon Cons. 78 - 5	£10.50
Europulp Pulp 46 + 5		
French Kirc 11 - 13	Abercon Inv. 280 - 8	
Hambros 183 - 184	Weir 77 - 4	
Hancock Trus 193 - 194	Firth (G. M.) 55 - 8	
Gold Ross 51 + 4	Gold Fields Prop. 33 - 3	
Int. Computers 101 - 102	Primrose 180 - 8	
Int. Pct. Sects. 103 - 104	Royal Worcester 100 - 5	
Investec 61 - 41	Woodside-Burman 143 - 10	
Lamina Secs. 85 - 5	C.R.A. 265 - 15	
Leisure Prods. 41 - 5	De Beers Dfd. 200 - 20	
Landfood 220 - 4	Oakbridge 74 - 5	
Martin the Newsagent 140 - 6	Peko-Wallsend 463 - 20	
Minster Assets 33 - 4	Utah 973 - 75	
	Western Mining 150 - 8	

## Government faces difficult Commons fight over Chrysler

BY JOHN BOURNE and TERRY DODSWORTH

THE GOVERNMENT last night faced the possibility that it might be unable to win a majority in the Commons for its Chrysler rescue operation. The first of several votes takes place to-night at the end of a debate on the motor industry.

There is a possibility, but no on Lord Ryder's proposal for at pains to point out that it remains a private sector organisation and that its lending is done unwilling to defeat their Government that attacks from the Conservative Opposition. Liberals want to examine Chrysler management, including some of the U.S. managers from Chrysler Corporation (whom it cannot compel to appear), as well as the major British manufacturers, the Department of Industry, and possibly Mr. Eric Varley, Industry Secretary.

The main attack on the Government's operation came from its two largest organised bodies of MPs—the Manifesto and Tribune Groups.

Manifesto MPs, Right-wingers and moderates on paper number about 80, will meet a few hours before tonight's vote to decide what to do.

The vote in fact is a procedural one on whether to adjourn the House, but clearly a defeat for the Government would be a major psychological reverse.

At the same time, the Government is faced with the embarrassment of publishing a highly pessimistic account of the British motor industry from the Central Policy Review Staff ("The Think Tank") to-day, and the strong possibility that the Trade and Industry Sub-Committee of the Commons Expenditure Committee, will reconvene to examine the Chrysler proposals.

Opposition to the Government's Chrysler policy is also building up outside Parliament.

There is considerable scepticism in the motor industry that the scheme can be made to work, and the policy is widely seen as a blow to the credibility of the Government's industrial policy.

### Pressures

Those doubts are particularly evident in the City, where participation in the rescue plan is in the balance as banks and institutions question whether they would be justified in putting up funds as a contribution to the expected package—part of which was to have been a £35m. loan from Finance for Industry, the financing group backed by the big banks and the Bank of England.

Chrysler itself has already let it be known that it approached FFI early this year, but had its application for funds turned down, and, as it proved in its attack

The FFI for its part has been

Continued on Back Page

Parliament, Page 10

## Plan to save part of NVT agreed

BY PETER FOSTER

A PLAN to save part of the Small Heath-based Norton Villiers Triumph Manufacturing has been agreed by the Government, although hopes of any large-scale rescue were abandoned out of the Department of Industry yesterday.

It has been known for some time that the Government was considering a small-scale plan for the plant, where Triumph Tridents were manufactured, based on proposals put forward by the NVT parent company.

However, the Department of Industry made clear yesterday that although it had agreed

to "principles" to a plan, this

would only be for a "small

on-going" operation which

would carry out non-motor

cycle sub-contracting and

manufacture spare parts.

The Department emphasised it

it would not cover the manufac-

turing of either motor cycles or

motorbikes.

NVT Manufacturing is the sub-

ject of a compulsory winding-

up order and the announce-

ment that part of the company

would be saved was made in

the High Court yesterday.

No details of the size of the

Government's share of the

rescue bid were revealed. How-

ever, the judge was told that

negotiations to save part of

the business were expected to

be successfully concluded by

Friday.

The compulsory winding-up of

NVT Manufacturing has been

postponed several times in

anticipation of Government

approval of some sort of

proposal for the company's

receiver told the court that

it was desirable the company

should not be in liquidation

when the deal was formally

signed, although there was no

reason why it should not go

into liquidation afterwards.

Earlier this month, Mr. Eric

Varley, Industry Secretary, re

jected plans to save NVT's

other manufacturing arm at



# Millet—painter of nostalgia

by DENYS SUTTON, Editor of Apollo

Jean Francois Millet (1814-75) is one of the most revered masters of the nineteenth century with warm admirers, not only in Europe, but in the United States. American painters such as William Babcock and William Morris Hunt became his friends and made every effort to ensure that his art was appreciated back home. Millet became something of a Guru, not least in Boston, where local collectors secured some of his finest works.

Millet lived at a time when the impact of industrialisation was starting to take a grip on France; the old world was vanishing. Some artists and connoisseurs—Sickert and Kenneth Clark among them—cherished his art but it was only in the years after the 1939 War that greater interest began to develop in this humble idol.

Now there is a chance to see Millet's art in depth at the Grand Palais, Paris, in a vast exhibition which, on a somewhat reduced scale, will be on view at the Hayward Gallery early next year. It has been brought together by the University, the leading authority on the artist who is responsible for the comprehensive catalogue—a veritable monograph.

The exhibition contains most of Millet's masterpieces as well as many unfamiliar paintings.

Four phases in Millet's evolution are clearly shown. His development is fascinating, for it quickly becomes evident that he is no naïf, but a sophisticated and learned artist. He swiftly abandoned painting the rather stiff portraits, such as that of Madame Marescot (private collection), wearing her Norman address, to paint in a romantic idiom. One of his most unusual traits is that of his friend Oudre (private collection), a dealer once considered to be a portrait of Chopin.

Millet was born at Gruchy on the Normandy coast, but soon moved his way to Paris, where he painted charming nudes and nante compositions that bear no relationship to Diaz and the Rococo. Underneath survived the rigours of classicism. These are paintings that show Millet's skin as a portrait.

Understandably, the conditions of the period—1848 was a year of revolutions—affected Millet's outlook and he submitted to the naturalistic trends of the 1840s. Yet he is not a political artist after the fashion of Courbet and Turner. His commitment was art, not politics. Significantly, his retreat to Barbizon was due to fear of cholera and no doubt this noise preyed on him, for he was a nervous man.

Millet found congenial themes in peasant life—men working in the fields, girls guarding their

The Entertainment Guide is on Page 28

argued in *L'Étape* that one of the principal errors of modern life was the cult of equality, which, if implemented, would destroy society and human values. Bourget and his circle, Richard Griffiths pointed out in *The Reactionary Revolution* (1966), "looked back to a golden age of mutual trust between the classes, a state which they saw partly reflected in the paternalist society of the countryside, as yet untouched by the new principles of the industrial society." This is the mood conveyed in many of Millet's pictures; it is hard to imagine his peasants manning the barricades.

Millet was a gentle painter. This exhibition brings out his connection with the Dutch seventeenth-century school; many of his pictures are cabinet-paintings, one reason, no doubt, for his appeal to well-off collectors in his own day. Their delicate tonalities are not without echoes of Pieter de Hooch or Ostade; the connection with Dutch art is no less noticeable in his watercolours.

In his later works, Millet adopted a richer and more colourful palette. A picture, such as *Le hameau Coupin* at Rheims, which took him twenty years to finish, has a succulent pigment that anticipates that of Bonnard.

Millet found congenial themes in peasant life—men working in the fields, girls guarding their

Le Printemps of 1888-78, is the famous *Le Printemps* of 1888-78, in the Louvre, which Professor Herbert

## Imperial Tobacco Awards for Radio

Members of the Radiowriters' Association, or other members of the Society of Authors, the programme companies (BBC and A), and radio critics of the national and local Press will be invited to make nominations for the new Imperial Tobacco Awards for Radio which are given by Imperial Tobacco, in operation with the Radiowriters' Association.

The main awards will be made in the fields of radio drama, light entertainment, documentaries, talks and features. The winners will also be held towards the end of 1976.

## Martha Graham at Covent Garden

The Martha Graham Dance Trust and the Chairman of the international committee for the Martha Graham 50th anniversary celebration.

## Virginia McKenna to follow Jean Simmons

On January 19, 1976 Virginia McKenna will take over the lead role of Desirée in *A Little Night Music* at the Adelphi Theatre. She co-stars with Angela Baddeley and Joss Ackland. In the spring, it is her major cultural obligation of 1976.

Miss Graham, who founded the company just over 50 years ago, will be with them. The season will open with a special gala evening. The visit has been arranged in co-operation with the Royal Ballet's London Contemporary company. Jean Simmons will leave the London Contemporary company on January 17.



Millet: Hohme portant un fagot

perceptively relates to Constable drawings relating to specific painted out of doors; he was a man and Ruydseal:

One of the pleasures of the composition may be studied. More information about Millet's drawings is provided by the drawings he has assembled—marvelous sheets which the preliminary studies and appealed to artists such as Degas variants for one of Millet's major and Odilon Redon. They show pictures, *Les Becheurs*, in the Louvre (Phaidon, £25). She once again Millet's ability to Boston Museum. There was nothing casual about Millet's art and discusses them with insight and cogenacy, quotes contemporary opinions about Millet's art and draws attention to the originality of his masterpieces. These beautiful and mysterious drawings suggest the influence which Seurat exerted on artists such as

Seurat.

This delightful book and the libretto by Cicognini (the opera was sung in Italian) is a version of the story of Jason and Medea, who are in the middle of a torrid affair at the beginning of the piece. By the end, both have returned to former lovers, so making a happy ending. A quintet of servants provides comic relief and a sub-plot of sorts. The obligatory Prologue has Sole, the God of the Sun, arguing on the side of Medea (his niece) against Cupid who favours the claims of Isiphe who was formerly in love with Jason. It is, of course, Cupid who wins. To make Sole into a whip-cracking ring-master, for all the world like the Animal Tamer in *Lulu*, was one of Christopher Renshaw's less happy production ideas.

Jason himself cuts an unheroic figure. At the instigation of the jealous Medea, he tries to have Isiphe drowned.

Though the subject-matter is serious, the treatment is not. Extraneous characters of all kinds are introduced and play irrelevant scenes: an Indian doctor lectures on world peace, an Ethiopian priest preaches forgiveness, an English peer brings a donkey in a parody of Palm Sunday, a German psychiatrist tells of persecution in Europe. Some of these passages are very funny, some are tedious, most are too long.

Nicholas Wright's direction is full of amusing quirks: one would like to know which are his and which the author's. He can't reconcile the endless eating of the family with whom he lodges and the starvation of his own people which they watch on their television. He feels that he is suspected of (in his own analogy) coming here to eat grass and then eating bacon and eggs. Inquiries into play might not be so funny.

The second story is about an Ethiopian writer in London, earning his living by cleaning toilets, and from him we learn the serious things about exile. He can't reconcile the endless eating of the family with whom he lodges and the starvation of his own people which they watch on their television. He feels that he is suspected of (in his own analogy) coming here to eat grass and then eating bacon and eggs. Inquiries into play might not be so funny.

We know and admire Ronald Hynd's *Vaises Nobles et Sentimentales* in the New London repertory. Its matching of shipboard romance with the score is happy, even in the Elizabeth Hall, and Galina Samsova's radiant presence gives the piece its heart. The real advantage in this performance, though, was the playing of the pianist Clifford Benson, as atmospheric and elegantly dramatic as Samsova's dancing.

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The Nash Ensemble began the programme with a fluent account of the Poulenc sextet, and finds Miss Samsova and four cavaliers each impersonating an instrument—the percussionist alone is not doubled by a dancer. André Prokofiev has made neat neoclassic choreography, and the clear relationship between the white-clad dancers and the musicians offers an intriguing visualisation of Bennett's taut instrumental drama. *Commedia*, indeed, fulfills the Nash Ensemble's desire to bring dancers and musicians together, and is well worth while.

The final *Commedia* is set to Richard Rodney Bennett's clear-textured sextet, and finds Miss Samsova and four cavaliers each impersonating an instrument—the percussionist alone is not doubled by a dancer. André Prokofiev has made neat neoclassic choreography, and the clear relationship between the white-clad dancers and the musicians offers an intriguing visualisation of Bennett's taut instrumental drama. *Commedia*, indeed, fulfills the Nash Ensemble's desire to bring

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Andrew Robertson as Lord Fancourt Babberley in the Young Vic's production of *Charley's Aunt*, which opened there last night.

CLEMENT CRISP

## Festival Hall

# Spring Symphony

by RONALD CRICHTON

Britten's *Spring Symphony* was eclipsed in popularity by the War Requiem and then, unfairly, shared in the neglect that was an inevitable reaction to the later work's huge initial success. Now we are presumably far enough away for them to take their rightful place in the choral repertory. The outlay could still be a deterrent. Although it is less demanding than the Requiem, the Symphony calls for a boys' choir as well as a large chorus, and three experienced soloists. Most of the necessary factors were present in Sunday's lusty performance by the Royal Philharmonic Orchestra under Sir Charles Groves.

The chorus was equally

stirring in "The Morning Star"

at the end of the first part,

where Britten at last allows his

textures to warm right through

with a brilliantly-placed unison

passage. The Wandsworth School

Boys' Choir made a merry shout

of "Summer is icumen in," at

the symphony's end: maybe

some of their predecessors have

tongued "Strawberries swimming

in the cream" more

nimble, but that is the kind

of passage where the past is likely

to seem better than the present.

The orchestra, brass especially

(burping cowhorn included)

was as lusty as the chorus but not

always so crisp.

The soloists, Teresa Cahill

was blithe and sunny, but his confident

soprano will make or mar a performance

of this work—doubtless because

Britten did not clear intonation.

Groves, as the RPO made

the most of the

urgency of the introduction

from the young Czech violinist

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ing young player, but his confident

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Yara Labal (soprano) sang

Isiphe's long declaration of

love for Jason, which contains

the original contralto and tenor

Their successors on Sunday were Barbara Robotham and Anthony Rolfe Johnson. Miss Robotham, standing in at short notice for Helen Watts, was musical but understandably overdiscreet. She was not helped in "Out on the lawn" by too noisy intimations of war from the orchestra.

Mr. Rolfe Johnson gave the Wandsworth boys a lesson in good articulation in "When will my May come"—he is good at projecting a voice still light for a large hall.

Dvorak had the first half to himself with a likeable performance of the *Scherzo capriccioso* that would have been wholly excellent with a little more polish and the Violin Concerto.

Every time it turns up one hopes to enjoy this and find it wrongly neglected but disappointment usually comes. It comes again, in spite of a sturdy and rhythmically fiery reading from the young Czech violinist

Vaclav Hudecek. He is a promising young player, but his confident soprano will make or mar a performance of this work—doubtless because Britten did not clear intonation. Groves, as the RPO made the most of the

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Unfortunately it is Medea who moves most in the whole opera, having been rescued by her real pathos. Paul Ferris, her former lover, Egeus, she rather

equally effective scene in which

he laments the loss of Medea's

love, and sang it in the proper

spirit of noble resignation.

Patricia McCord, a jolly Alinda, rejoiced in the number of

soldiers to be found on the

island where the whole cast has

conveniently been shipwrecked,

and Christopher Adams as Demo,

the steward servant to Egeus,

convincing that he and his master

have perished in the stone, were

both notable. Leslie Head did

not differentiate sufficiently

between recitative, arioso and

aria, nor did he shape the vocal

lines subtly enough. As a result,

Yara Labal (soprano) sang

Isiphe's long declaration of

love for Jason, which contains

the original contralto and tenor

uniquely.

In the Purcell Room, Mar-

garet Wolf, daughter of the late

Sir Donald Wolfson, will present

interpretation of the Sibelius

competition

Yuvall Yaron, 22, of Israel, won first prize in the Jean Sibelius Violin Competition in Helsinki. He also received two other prizes, one given by the Finnish Broadcasting Company for the best

novel of George Eliot. From awarded by the critics.

In the Queen

## WORLD TRADE NEWS

● NEWS ANALYSIS—CHINA'S JET ENGINE ORDER

## Toughest task yet for R-R

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE ROLLS-ROYCE success in clinching the £20m. Spey jet engines deal with China represents one of the toughest and long-drawn out sales negotiations ever conducted by the company. It is almost comparable in magnitude of effort to that which won the U.S. Lockheed TriStar contract for the then untried RB-211 engine in the late 1960s.

At that time, Rolls-Royce was trying to sell an unbuilt, unproved engine of revolutionary concept to a tough U.S. aircraft manufacturer who wanted to know everything not only about the engine but also about the manufacturer and the way he ran his business. But there were two saving advantages in that at least both sides were talking the same language—English—and that access to the U.S. was easy to arrange.

Negotiating with China, on a well understood engine, the Spey discussions were as tough and the Chinese just as demanding. There were the added hurdles of overcome of getting in and out of China and once in, of having everything translated into Chinese: contract documents, technical brochures, letters, day-to-day memos, and so on.

While the U.K. Foreign Office and the British Embassy in Peking did much to help smooth the path, the basic reason for the ultimate success of the deal is simply that the Chinese themselves wanted the Spey. Had they not wanted it—had Rolls-Royce been trying to sell them the engine "cold" from scratch, the task would have been much more difficult, if not impossible, as many other businessmen worldwide have already found in dealing with China.

The Chinese interest in the Spey began when they first came to realise that in the Spey deal says the Chinese have been

## More Tridents

Those contacts led in turn to an order from the Civil Aviation Administration of China for more Tridents, until there were 35 on order, with a large team of Chinese engineers in Britain undergoing training, and a team of Hawker Siddeley and Rolls-Royce engine men in China.

From that point on, the progression to the latest deal was slow, requiring infinite patience on the part of Rolls-Royce (1971). For one thing, as all business negotiations with China point out, the Chinese cannot and will not be hurried. They have their own method and pace of doing things, and will not change it, no matter how desperately they appear to outsiders to need the equipment involved.

It is difficult for anyone in Rolls-Royce (1971) to be able to say precisely when the possibility of Chinese-licensed manufacture of the Spey became a major discussion point. The topic evolved largely because the Chinese themselves, already equipped with special Speys for their Trident airliners and anxious to buy more,

punctilious and courteous throughout the negotiations, but very tough. One Hawker Siddeley man who had been there some time earlier to negotiate the Trident deal said he would spend a day discussing a technical matter to the point of exhaustion, "only to be courteously thanked for his few brief introductory remarks," and asked to come back with more details. As with the Trident deal, so with the Spey engine contract. A Rolls-Royce man commented: "They now know everything about the Spey—just as much as we do—perhaps even more."

This last point is not so paradoxical as it may seem—for what is still not clear in the West, and even to Rolls-Royce, is precisely just what the Chinese intend to do with the engine. It has been reported that the Chinese have a secret military airframe design on the drawing boards aimed at out-pacing the Soviet MiG 23s, and which has been designed round the Spey, based on the knowledge of the engine the Chinese have already built up in its several years of Trident operation.

From now on, it is likely that Rolls-Royce will establish a semi-permanent office in China that will be the centre for all the work that will be involved in setting up facilities for producing the Spey under licence. This is likely to be the responsibility of Sir Stanley Hooker, the technical director of the company, who has had much to do with the deal, and who is by now an "old China-hand." During the course of his visits to that country, he has so impressed the Chinese that they have made him an Honorary Professor of Peking University. He, at least, therefore, has the opportunity of making regular visits.

Everyone associated with the Spey now on, it is likely that Rolls-Royce will be able to say precisely when the possibility of Chinese-licensed manufacture of the Spey became a major discussion point. The topic evolved largely because the Chinese themselves, already equipped with special Speys for their Trident airliners and anxious to buy more, can do what they like with them.

## Export Contracts

HERST AND MALLINSON will supply 156 technical colleges in Nigeria with catering equipment worth £250,000.

METAMATIC (Metal Box group) will supply a £63,000 beer canning line running at 300 cans a minute to the Mahou Brewery, Madrid.

DUNBEE-COMBEX-MARK will ship moulds, ancillary equipment and materials valued at £700,000 in 1975 to Russia for toy manufacture. It will be the first installation of a 10-year programme calling for a minimum of £2.5m. of DCM moulds to go to the USSR.

GULLICK DOBSON INTERNATIONAL, Wigan, will build an impact ripping coal mining machine, worth £80,000, for Metallurgiimport, Bloso, with an option for a second machine. JOY MANUFACTURING, of Epsom, Surrey, will make ten far not produced figures for invisible trade by countries, but £7,000 for the Polish mining authority.

## U.K.-Japan deficit £55m.—Treasury

BY KEVIN RAFFERTY, ASIA CORRESPONDENT

THE U.K. TREASURY has produced figures which show that the U.K. last year had an overall deficit of £55m. in its trade with Japan and not the £80m. surplus claimed recently by the Japan Trade Centre (this page, page 4).

The Centre gave Bank of Japan figures claiming that the U.K. surplus on invisible trade was £100m. last year, with an additional £5m. from interest, profits and dividends. The wide discrepancies between the two sets of figures, the authorities suggest, could be because the Japanese cannot easily measure true overseas earnings of British companies.

Moreover, British sources join issue with the Centre for suggesting that Japan's published invisible trade surplus overstated the real figure.

Mr. E. S. Bush, secretary of the Japan Association, points out that Rolls-Royce engines in TriStars show up as exports to the U.S. in the British figures and as imports from the U.S. in the Japanese figures.

U.K. sources believe the published figures understate the deficit on invisible trade. If account is taken, for example, of ships from Japan delivered to U.K. companies and registered outside the U.K., the true deficit might have been as much as £350m. last year.

## INVISIBLE U.K.-JAPAN TRADE

1974 1973 1972

£m. £m. £m.

## U.K. Treasury figures:

Services

(net) +100 +80 +60

Interest, profits,

divs. transfers

(net) +95 +35 +10

Invisible

balance +195 +115 +70

## Bank of Japan figures:

Invisible

balance +625 +306 +186

## Saudis may seek to purchase Jaguar jets

By Richard Johns, Middle East Editor

PRINCE Turki ibn Abdel-Aziz, Saudi Arabian Deputy Minister of Defence, arrives in London tomorrow for talks with the British Government that may cover the possible sale to the Kingdom of the Anglo-French Jaguar fighter-bomber.

Radio Riyadh announced yesterday that Prince Turki would "continue talks with the British Government on the Saudi Army armament and a project for the Air Force." Formally the purpose of his visit is to review the progress of work being carried out under the government-to-government air defence agreement of May 1973, according to Whitehall sources.

This £250m. deal was concerned with air defence infrastructure, maintenance and training—superceding and extending the 1967 contract under which Lightning interceptors, Strikemasters and Rapier missiles were supplied. But it was always seen as an agreement that could provide the framework for the eventual purchase by Saudi Arabia of the Jaguar.

Accompanying Prince Turki will be the Commander-in-Chief of the Royal Saudi Air Force and other high-ranking officers. Their visit follows only two and a half weeks after the presentation by the British Aircraft Corporation of a Jaguar to Riyadh.

Crown Prince Faisal, First Deputy Premier, touched on the question of Jaguar when he was in London in October. Subsequently, during Egyptian President Sadat's State visit last month, the British Government's principle to the sale of offensive weapons to Egypt, which it must be assumed would be given an option on the use of any sophisticated aircraft bought by the Saudi Arabians.

What is not clear at this stage is just how practical Saudi interest in the Jaguar fits in with the wider plans for the Arab Military Industries Organisation.

Egypt now wants to jump in at the deep end by assembling a sophisticated offensive aircraft rather than a simpler one like the Hawker Siddeley Hawk, a trainer-ground support aircraft.

At the same time the Saudis, who are making the major contribution to the financing of the AMIC (with its initial capital of just over \$1bn.), are understood to be anxious that a significant part of its capacity should be established in the Kingdom itself.

As a low-level strike aircraft, the Jaguar would be comparable with the Mirage F-1 that may be manufactured in Egypt as a result of the recent French agreement to assist with the development of an Arab arms industry.

Thomson originally offered the SP-1, but now it and its Montreal-based partner have announced an updated version called the SP-1E, which is more compact and has a higher capacity, and will use the latest microcircuit technology, including a faster processor and high density memory.

The move is being interpreted as a last-ditch attempt to gain acceptance for the Canadian system. If the Thomson bid is rejected, however, it is likely to be ready—in common with some of the other unsuccessful French candidates—to manufacture a competitive system.

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## AMERICAN NEWS

## Ford raises prices on wide range of vehicles

BY GUY DE JONQUIERES

FORD surprised the rest of the U.S. motor industry this morning by announcing plans to raise its car and truck prices across the board next year. Car and light truck prices will rise some 2.8 per cent respectively on January 1, while heavy truck prices will go up by 3 per cent on February 1.

Ford's action was followed this afternoon by the announcement of selective and much smaller car price increases by Chrysler. GM's smaller competitors have succeeded only rarely in the past in sustaining price increases of their own if GM did not move

over all in 1976. Its price increases for the 1976 model year, which began last October, recovered only about 80 per cent of expected cost rises during the model year, and even the latest price rise would not cover all 1976 model year costs.

Ford's price increases average 3.7 per cent, compared with increases of between \$25 and \$70 on certain Chrysler models.

Ford's market position seems all the more vulnerable now, because its traditional supremacy in the design and production of smaller, economic models is being undermined by GM. In particular, Ford has no model to compete with GM's successful new Chevette, which went on sale in the U.S. last October.

Ford said that its action today, which also includes a 1.6 per cent rise in optional accessory

prices, was necessary to recover higher costs for labour and materials, including new safety equipment that will be required next year by federal law.

It said that during the past three model years it has been unable to recover costs of more than \$350 per vehicle produced, next year it has a five per cent increase.

## Sharp attack on Moynihan in UN

BY OUR OWN CORRESPONDENT

UNITED NATIONS, Dec. 15.

MORUHAN's popularity with the State, declaring open warfare against the organisation. This said he did not think a member State should permit its representative to use the UN as a forum for developing a personality cult, for publicity and for dramatic performances.

Finally, he said, sooner or later the UN must come to grips with the problem of a "defiant" was adopted.

Lockheed ordered to hand over documents

BY JUREK MARTIN

WASHINGTON, Dec. 15.

A FEDERAL judge to-day of Government at least ten days' order Lockheed to turn over warning before revealing to the Securities and Exchange Commission all documents relating to the company's alleged relations and implied bribery of foreign officials in administration could try to its attempts to secure overseas publication in the arms contracts. Lockheed has been applying to the court for five days to meet any SEC request for information.

Responding to arguments that New York alone among cities is able to accommodate the UN, the Mauritanian delegate said the world body contributed \$200m. a year to the UN's budget and provided work for 25,000 people.

He said he was prepared to recommend that the organisation move to Mauritania, where costs were only a fraction of those in the U.S.

Delegations and officials would "certainly be working in a much better atmosphere," he said.

Clearly referring to Mr. Ramphul's

Lockheed has already

admitted making payments to

key foreign officials in the Far

East and the Middle East and

has been suggested, but not

far proven that the sales of

aircraft to European countries

have been accompanied by

similar inducements. It was

also reported that the U.S. Department what amounts to a

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"secret" that prompted Dr.

## EUROPEAN NEWS

## BAOR talks 'will be tough'

BY NICHOLAS COLCHESTER

IMMINENT negotiations between Britain and West Germany over a renewal of the offset agreement that covers Britain's Rhine Army (BAOR) are going to be very difficult. This is the opinion of German Government and Foreign Ministry sources questioned in the past few days.

The offset agreement is designed to compensate Britain for the foreign exchange costs incurred in keeping its troops stationed here. The last agreement lasted five years and expires on March 31, 1976. It provided for a total German payment of DM550m (£100m) a year and for a German promise of maintained purchases of British military equipment.

Seeking cues in British public spending and cost with the problem of a weakening pound the British Government has agreed to ask for a new agreement that bears a closer relationship to the current sterling cost of the Deutsch marks needed to maintain the British presence. Simply by applying the exchange rate shift to the cost figures that were valid for the early 1970s one can see that the current exchange rate cost must be close to £200m a year. Germany's yearly payment at present is equivalent to £20m.

West Germany and the U.S. have yet to negotiate a new offset arrangement to replace a here that Bonn's relative inflexi-

two-year agreement that expired last June 30. The word in Bonn is that Chancellor Helmut Schmidt took a firm line on the matter when he visited U.S. President Gerald Ford in October and that the outcome, now being worked out between the two countries at a lower level, will be the smallest formula that will satisfy the American Congress.

West Germany's strongest argument against making a further cash payment to the U.S. has been the DM550m worth of U.S. Treasury securities that the Bundesbank is now believed to hold as part of its currency reserves. It is explained here that Bonn's relative inflexi-

bility vis-à-vis the U.S. makes a generous attitude towards Britain problematical and unlikely.

Officials here concede that they are not looking forward to the German-British offset negotiations. They do not mince their words in saying that the official relationship between the two countries is particularly strained at the moment because of recent disagreements on a variety of issues.

Outstanding among these was the argument in Rome over Britain's representation at the Conference on International Economic Co-operation that opens in Paris tomorrow. Although a compromise was reached in Rome, the argument is said to have left the West German Chancellor particularly angry.

## Brezhnev will not attend Cuban party congress

BY MOIRA CUNNINGHAM

THE Soviet Party leader, Mr. Leonid Brezhnev, will not be attending this week's Cuban party congress, the first since Cuban leader Fidel Castro came to power in 1959. Instead, Mr. Mikhael Suslov, the senior party ideologue, has flown to Havana to represent the Soviet Union.

There has been considerable speculation as to whether Mr. Brezhnev would attempt the long journey in view of his health, especially since he has made a conspicuous effort to attend other Cuban party congresses.

However, his decision to stay in Moscow is seen here as being based more on political than on health grounds, because Mr. Brezhnev would presumably agree to fly to Washington if his remarks there will not carry that was really necessary.

Politically, Cuba occupies a

MOSCOW, Dec. 15.

special position in Soviet foreign policy since it is not essential to Mr. Brezhnev's detente policies. On the contrary, it is both a heavy economic burden and a potential source of trouble in U.S.-Soviet relations.

If Mr. Brezhnev went to Havana he would feel obliged to make some strident remarks about Cuba's survival in the face of a U.S. blockade and this could exacerbate the current debate in the U.S. over the future of detente. The Russians are aware of how tickle the U.S. political climate can be in a Presidential election year.

The choice of Mr. Suslov would seem a good solution. He is sufficiently high in the leadership to satisfy the Cubans, but his remarks there will not carry three years.

AP-DJ

## French trade deficit is halved

PARIS, Dec. 15.

France's foreign trade deficit, seasonally adjusted, declined to Frs.750bn. in November from a deficit of Frs.1.57bn. in October, but was higher than the deficit of Frs.1.87m. a year ago, provisional figures show.

Seasonally adjusted imports increased 1.4 per cent. in November to Frs.20.02bn. from Frs.19.7bn. in October, but were 0.4 per cent. below the Frs.20.08bn. a year ago.

Exports increased 6.1 per cent. in November to Frs.19.3bn. from Frs.18.2bn. in October, but were 3 per cent. below the Frs.19.9bn. of November 1971.

For the first 11 months of this year the seasonally adjusted trade surplus amounted to Frs.5.3bn. compared with a deficit of Frs.1.63bn. a year ago.

AP-DJ

## Paris set for Leftist protests

By Robert Mauthner

PARIS, Dec. 15.

THE main Left-wing parties and trade unions today decided to stage massive demonstrations in Paris and the provinces on Thursday against the government's economic policies to coincide with widespread strikes in the public sector.

The stoppages will affect railway, electricity, postal and social security services as well as radio and television, but are not

expected to lead to serious disruptions except on the day of the demonstrations.

Significantly, it is not just the Left wing trade unions—the Communist-led CGT and the Socialist-oriented CFDT—that are involved. For the first time for many years, the normally restrained CGC—a white collar union—has called on its members to strike for 24 hours on Thursday against the government's latest measures to soak up the Social Security system's huge deficit. The union claims that these measures, which include an increase in social security contributions, have placed an unfair burden on salary earners.

The Left's joint stand, which was taken against a background of further police searches of extreme Left-wing organisations involved in the campaign to set up soldiers' committees, was not achieved without difficulty.

Representatives of the extreme Left-wing PSU party stormed out of the meeting and refused to sign the joint declaration because it did not specifically condemn police repression of its members.

The PSU's headquarters was not the only target of today's police swoop. In Paris, a well-known Trotskyist leader, M. Alain Krivine of the Communist League and two other members of his party were taken to police headquarters for questioning about their activities, but were later released.

In the provinces, the Communist League's offices and homes of its members were searched in Lyon, Bordeaux, Clermont-Ferrand and several other important centres.

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## Brandt aide gets 13 years for spying

BY ROGER MATTHEWS

DUSSELDORF, Dec. 15.

GUENTER and Christel Guillaume, the man-and-wife Communist spy partnership whose unmasking brought about the downfall of Herr Willy Brandt as West German Chancellor in May last year, were sent to prison for 13 years and eight years respectively.

The sentences brought to a climax one of the most sensational espionage dramas of the last 30 years. When he was arrested, Herr Guillaume, 48, was a close personal political aide of Herr Brandt, who remained in the ensuing scandal.

Earlier this year, Dr. Guenther Nellen, head of West Germany's counter-intelligence bureau (Office for the Protection of the Constitution), resigned prematurely. Much of the trial over the last six months has been held in secret.

Frau Guillaume, 47, who is a member of a State government office, told interrogators that many of the secret documents they photocopied were handed over to Communist East German couriers wrapped up in fancy paper to look like gifts.

According to police evidence at the trial, Frau Guillaume said she or her husband met various couriers from the East to hand over secrets about one month ago.

The couple came to West Germany in 1956 posing as anti-Communist refugees from East Germany.

The chubby, bespectacled master spy, who claimed when arrested to be an officer in the East German Army, started off by opening a snack bar as a cover while working voluntarily in the Frankfurt branch of the Social Democratic Party.

Three years later, when the party came to power in Bonn under Herr Brandt, Herr Guillaume was promoted to the Chancellor's staff and three years after that, to be his personal aide. As such, he was constantly at Herr Brandt's side and had access to documents of the highest security classification.

Suggestions that the Guillemales would not serve their prison sentence but would be quietly pushed over the border into East Germany in exchange for political prisoners from the West have been repeatedly denied by members of the Bonn Government, including the present Chancellor.

East Berlin—East Germany

reported the prison sentences on

the couple had been jailed for spying for the Communist German State.

Reuter.

## Arias promises civil rights but avoids pledges

BY ROGER MATTHEWS

MADRID, Dec. 15.

SPAIN'S Prime Minister Carlos Arias last night promised action to bring the country closer to the systems of Government in sources suggesting that the Meiji, the leader of the western Europe, but said that it was premature to present a detailed programme. In a statement released nine hours after the first meeting of the new Cabinet, presided over by King Juan Carlos, the Premier avoided making any specific pledges.

He stressed that special priority should be given to extending the liberties of individual citizens and civil rights in general.

This would include a revision of the law of association—not more than 19 people are allowed to meet in Spain without prior police authorisation—and to broaden the base of the country's institutions. This latter point is understood to refer to the Cortes, the "Parliament" set up by General Franco.

Mr. Arias also referred to the "constant improvement" that would take place in the functioning of the state, adding that the evolution and development of "Spanish democracy" would not tolerate any threat from those with totalitarian ideas.

There was also reference to the recognition of the vital role of the church, the importance and unity of the army and, inevitably, the invaluable base provided by General Franco.

This evening's debate was ex-

pected to see an attempt by Major Melo Antunes, the intellectual driving force of the "Group of Nine" officers to convince his colleagues that the Armed Forces Movement still had a central role to play in Portugal's political development.

It is thought here that Major Antunes may well suggest that the Revolutionary Council should remain in being even after the introduction of a new constitution and that it should continue to have at least veto powers over a legislation that might be passed by any purely civilian government.

The Council was also expected to try to settle its negotiating position over the revision of the pact between the Armed Forces Movement and the political parties.

The Revolutionary Council of the AFM, in a series of moves seen as a prelude to a less active role in the government of Portugal, voted at the end of last week for an immediate revision of the pact.

Said last April, the pact gave the military leadership the final decision-making authority for up to five years.

Since the abortive November 25 rebellion, however, calls have been increasingly heard from the parties and from elements inside the Revolutionary Council for a less purely civilian government.

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pected to see an attempt by Major Antunes to try to settle its negotiating position over the revision of the pact between the Armed Forces Movement and the political parties.

It should also be pointed out that an analysis of 1974's statistics show that the heavy increase in bankruptcies came in the second half of the year, rising to a crescendo in the final quarter. Therefore, it seems fairly safe to predict that the fourth quarter's increase rate should stay well under those of the first half of 1975.

The hardest hit this year have been the processing and construction sectors. About 24.1 per cent. of total bankruptcies came in the processing and construction industry.

According to a report published by the Verband der ersten in August to 6.8 per cent. last year forecast to be one of per cent. giving an average of 2.8 per cent. in the construction industry. The service sector contributed 14.5 per cent. materialise and the continued performance is maintained in the retail sector.

year-end total would be about 9,250 failures, some 19 to 20 per cent. above the 1974 total, says the report.

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Senegal: Assembly plant.

Cuba: The Mariel factory.

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Accounts Committee in scrutinies 6360, 22p.

The Financial Times Tuesday December 16 1975

61 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100 101 102 103 104 105 106 107 108 109 110 111 112 113 114 115 116 117 118 119 120 121 122 123 124 125 126 127 128 129 130 131 132 133 134 135 136 137 138 139 140 141 142 143 144 145 146 147 148 149 150 151 152 153 154 155 156 157 158 159 160 161 162 163 1

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## ADVERTISEMENT FOR BIDS

Sealed Bids are invited for Equipment Purchasing for the Central Utilities Service Complex, University of Riyad, Saudi Arabia in accordance with the Contract Documents prepared by the Consultant HOK-4. Sealed original Bids will be received in Riyad at the University of Riyad, Riyad, Saudi Arabia. Copies of the Bids will be received at HOK-4, care of Sykes & Hennessy, Inc., New York, and 10:00 hours local time February 10, 1976 and read aloud at 10:30 hours local time February 10, 1976, simultaneously with the opening in Riyad. Original Bids received in time in Riyad will constitute the legal Bids. In general, the Work consists of the following categories of items priced to include all costs to deliver to the jobsite. Bidders may submit Bids on one or more of the following general lists of items which have been described in the Specifications:

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The Bidding Documents may be purchased for SR 350 (or equivalent convertible currency) from the following locations from December 10, 1975 to January 6, 1976. Checks should be made payable to "The University of Riyad".

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(From December 10, 1975 to January 6, 1976)

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Telephone (212) 489-2900  
Telex 120749

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HOK-4 Consortium  
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New York, New York 10020 U.S.A.  
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58 771 1129 1994 2017  
2023 2752 3772 3773 4003  
4043 5252 5652 5653 5654  
5254 5655 5656 5657 5658  
5656 5657 5658 5659 5660  
5655 5656 5657 5658 5659

58 Bonds of £100 nominal value each.

58 Bonds which have been stamped.



## LABOUR NEWS

## Murray seeks urgent talks with PM on BSC's plans

BY LORELIE OSLAGER, LABOUR STAFF

AN URGENT meeting between fashioned open-hearth plants, intervene. The executive of the Mr. Harold Wilson and trade union leaders was being requested by Mr. Len Murray, TUC general secretary, to discuss the British Steel Corporation's plans for saving up to £170m. in labour costs, expressing particular concern about the effects on unemployment in Scotland and Wales.

Mr. Murray's letter to the Prime Minister is a first indication that BSC's plans will meet strong opposition from the trade union movement at a time when it is increasingly worried about the high level of unemployment. The corporation has declined to say how many redundancies its plans entail, but steel union leaders have estimated they could involve the loss of 40,000 jobs if account is taken of the fact that many people will leave the industry because of the proposed sharp cuts in earnings.

The corporation to-day starts a series of meetings with union representatives at plant level to examine the immediate effect of the cost-saving plan on their members. In Scotland, it is expected that a number of old

## Shipyard managers form new union

BY ROY ROGERS, LABOUR CORRESPONDENT

MANAGERS in the shipbuilding and repairing industry have formed themselves into a trade union in anticipation of the industry being nationalised towards the end of next year.

But the Shipbuilding and Allied Industries Management Association, as it is called, is almost certain to find itself in conflict with TUC-affiliated unions already well established in the industry.

The situation closely mirrors that when the steel industry was nationalised eight years ago. Then TUC unions battled between themselves and with the Steel Industry Management Association.

Mr. Paul Rhodes, acting general secretary, maintains it is bona fide trade union whose main aim is to make the industry "period for the benefit of everyone employed in it."

Mr. Rhodes said that he had been in the confederation offering discussions on ways of co-operation and that he expected "no genuine point of conflict."

## TGWU pledge on NUR dock-members' jobs

BY OUR LABOUR STAFF

THE TRANSPORT and General Workers' Union, representing Britain's 32,000 registered dockers, yesterday apparently succeeded in reassuring the National Union of Railwaymen that its dock members' jobs would not be affected by the recently introduced Dock Work Regulation Bill.

The NUR, with some 6,000 members in the docks, mainly employed by the British Transport Docks Board, is one of three major unions seeking amendments to the Bill that would specify their members' rights.

The other two are the General and Municipal Workers' Union and the Union of Shop, Distributive and Allied Trades.

Pressure from these three, and their sponsored Labour MPs, has been partly responsible for the postponement of the Bill's Second Reading, which was to have been taken yesterday. After meeting NUR officials their existing special terms.

## Hull-Rotterdam ferry to close at year's end

BY OUR LABOUR STAFF

A spokesman for the owners of the Bacat One, which has been running between Rotterdam and the Humber with loads of up to 13 barges totalling 2,300 tons, said there was no basis for continuing the traffic after many shippers "defected" with fear of trouble.

The Bacat One, the only vessel of its kind in the world, was to have been joined by a sister-ship ordered last year, but the order has been shelved, at least temporarily.

Hull dockers protested against introduction of the vessel, which reduces the need for loading and unloading of river barges.

Entering the ferry between its catamaran-type twin aft hulls, ten 140-ton barges can be lifted on to the deck of the Bacat One, and three 376-ton barges are moored between the twin hulls.

The spokesman for the Danish owners said all efforts, including offers of payment of "certain compensation" for possible loss of stevedoring work, to accommodate the dock unions had failed.

Even though the dockers' hopes on the Bacat One were "indefinite" since she did not have to dock to take barges aboard, the indirect pressure of the unions scared away the shippers, he said.

"So we expect that the Rotterdam-Humber run will come to a halt by the end of this year. We are now looking for other uses for the ship and for the 53 barges built for it."

## Bill Kendall for Whitley Council post

By Our Labour Staff

MR. BILL KENDALL, general secretary of the Civil and Public Services Association, has been appointed secretary of the staff side of the Civil Service Whitley Council with effect from next June, when Mr. John Dryden, the present holder, retires.

The CPSA executive has nominated Mr. Ken Thomas, deputy general secretary, as Mr. Kendall's successor.

Mr. Thomas's nomination will have to be confirmed by the union's annual conference next spring.

## £6 for knitwear workers

BY OUR LABOUR STAFF

TWO OF the biggest employers in the knitwear industry, Courtaulds and Marathon, have reached agreement with the National Union of Hosiery and Knitwear Workers on a pay settlement giving virtually all their 18,000 workers staged increases totalling 26-a-week by next June.

Meanwhile, Courtaulds announced that 16 of the company's Lancashire spinning mills will be closed for an extended Christmas break because of the bad order book situation and the Amalgamated Textile Workers Union urged the Government to make an immediate announcement on import controls.

The pay settlement in the knitwear sector follows several weeks of sanctions, including one-day strikes imposed by the Asriers and knitwear union in pursuance of its claim for the able to earn the full amount.

The union will have new talks with the Knitting Industries Federation later this week.

Yesterday, the union claimed that those of its members who had not yet obtained a settlement with companies represented by the Knitting Industries Federation staged another widely observed one-day strike, while work continued normally at Courtaulds and Marathon.

The settlement with both companies provided for payment of £4 a week from next January and another £2 a week from the end of June for time-workers.

Piece-workers will be able to earn similar increases through adjustment of the "wage values" on which their rates are based.

## Work to rule

Mr. Harold Gibson, the union's president, said some 98 per cent of the piece-workers would be

full £6 payable in two stages. The employers had initially offered a 10 per cent pay rise.

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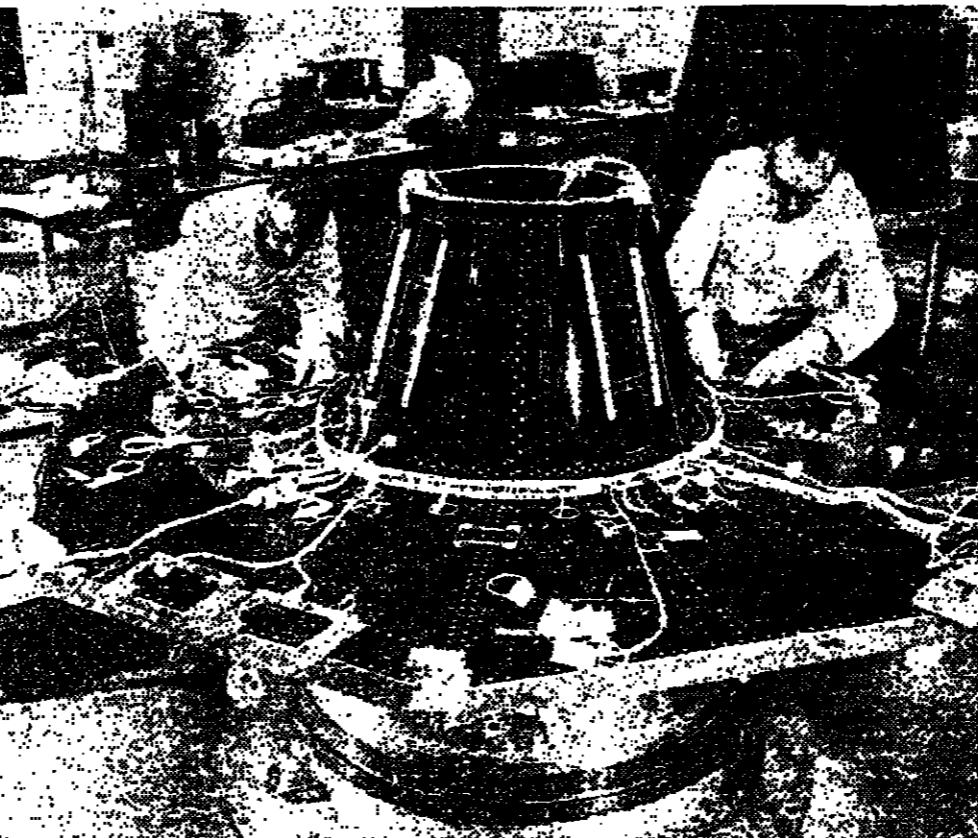
Piece-workers will be able to earn similar increases through adjustment of the "wage values" on which their rates are based.

The telegram is the latest shot in the Lancashire textile industry's long campaign for tougher import controls.

It comes towards the end of a year in which the industry estimates it lost 10 per cent of its manpower, and had to close more than 25 mills.

## The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS



## • PROCESSING

## Small arc furnace for laboratory

THE FIRST small arc furnace built to a new design is scheduled for installation in the new Corporate Advanced Processes Laboratory being established by the British Steel Corporation in Teesside. The furnace is to be used in the investigation of steelmaking techniques.

The order, valued at around £125,000, has been placed with Birles Davy Ashmore International, on behalf of BSC.

Maximum capacity of the new furnace will be four tons of steel,

and it will be capable of melting to a flat bath three tons of steel scrap in about 11 hours. Its electrical rating will be 1500 kVA.

Main feature of the new furnace is the rigid tilting platform

which carries the furnace shell

## • RESEARCH

## Stops noise at source

NOISE CAN BE generated by a broad range of mechanical components such as gears, sliding devices, cams, rotating shafts, bearings, etc. Normal mechanical engineering design, however, does not treat the problem of noise suppression and for that reason a study has been undertaken to fill the gap in design techniques to allow the systematic design of low noise mechanical devices.

Incramite I, a high damping copper alloy developed by International Copper Research Association, has been examined for use in a variety of typical components which are noted for their high noise output. A philosophy has been developed which should make the engineering designs easier in applying Incramite to structural components using the techniques described.

Inca is now embarking on a

series of field trials to illustrate the effectiveness of Incramite in solving noise problems in a wide variety of mechanical devices.

## • ENERGY

## Business afoot in hot rocks

A HARWELL scientist is one of three experts recently appointed to represent Britain on a European committee looking into prospects for geothermal energy.

Dr. John Garnish has the task,

in his new role of finding

organisations or individuals in

Britain who are willing to carry

out geothermal contract work.

The kind of work is extremely

varied, ranging from area data

acquisition to steam production.

Applications or inquiries about

contract research in geothermal

## • ELECTRONICS

## Pye attack on the U.S. market

PYE CONNECTORS already in the Far East, Africa and Europe, is planning to break into the American market with its Modulor modular printed circuit board connector.

Initially Electr-Technical Marketing Association of 3525 W. Peterson Avenue, Suite T-7, Chicago, Illinois 60659, will act as distributor in Wisconsin, Michigan, Illinois and Indiana.

Negotiations for the appointment of two more distributors are at an advanced stage.

Modulor connectors are available with 0.100 and 0.150 inch plug and 0.100, 0.150 and 0.156 inch sockets. They are presented in up to 85 ways—either single or double sided—depending on the contact pitch. All feature low insertion force of only 3 to 5 oz per way and are available with three types of contacts—solder eyelet, dip solder and mini-wrap.

The telegram is the latest shot in the Lancashire textile industry's long campaign for tougher import controls.

It comes towards the end of a year in which the industry estimates it lost 10 per cent of its manpower, and had to close more than 25 mills.

British Aircraft Corporation technicians installing the wiring harness to a COMSTAR 1 communications satellite thrust cone in the spacecraft assembly building at Bristol. The completed assembly will be the main spinning part of the satellite that keeps it stable in space. It carries the hydrazine-fuelled positioning and orientation system, solar panels and the communications sub-system. The thrust cone is made from magnesium and aluminium components and assembled by riveting and bonding processes within tolerances of 20 thousandths of an inch, after which critical interfaces are machined to a tolerance of three thousandths of an inch.

Some surfaces must be protected from the intense sun's rays. This is done by spraying on a special thermal paint, polishing the unpainted surfaces to a mirror finish and bonding with aluminium foil less than two thousandths of an inch thick to achieve an even heat distribution.

Under contract to Hughes Aircraft Company, British Aircraft Corporation, Electronic and Space Systems is involved in manufacturing major subsystems for both commercial COMSTAR 1 communication satellites.

works offices, and working platforms around process plants.

Resley HM is a heavy duty coating, suitable for exposed but relatively clean areas subject to heavy wear. The resin base coat is supplied with a medium aggregate and is recommended for use in industrial loading areas subject to heavy fork lift traffic, exposed docks and working areas on ships, dredgers, drilling platforms, etc.

The entire structure is so designed that normal stresses set up by root and electrode movements are not transmitted to the furnace shell, eliminating the possibility of distortion and refractory damage. The design also features the direct heat system for electrode raising and lowering, currently used on the company's large arc furnaces of 100 tons capacity and upwards.

Layout of the new small furnace is such that foundation preparations are simplified and many of the maintenance problems inherent with standard small arc furnace designs are banished, says Birles (a GEC Group company) which has been used by nearly 300,000 electrodes with a minimal amount of wear to the non-slip coating.

Resley consists of a tough resilient synthetic resin base containing a graded aggregate and small arc furnace designs are banished, says Birles (a GEC Group company) which is to be held at Grosvenor House, London, from March 19-26.

The convention is being held in the United Kingdom for the first time, and it will be the first joint meeting between European and North American contractors in the trowelling, ceiling fixing and dry-lining trades.

Over 1,000 delegates are expected from Canada, Australia and Japan, as well as from Europe and the U.S.

Details are available from Mr. K. M. Williams, Director, National Federation of Plasterers, 82, New Cavenish Street, London W1M 5AD.

ordered. Two basic models give maximum strokes of either 400 mm. or 650 mm. with five options on length of loading area from 850 mm. to 3000 mm.

Length of stroke can be adjusted by turning a handbook without changing gears. There are no slip-and-cut-off variations, even with heavy products, it is claimed, so it is easy to match plus and minus tolerances on a printed top film.

To make evacuation more effective and to achieve a higher output speed evacuation of the chamber and the pack has been separated. If desired the injection of air inert gas is possible before the pack is hermetically sealed in the top half chamber.

It operates from two 420 mm. reels of packaging film (obtained from any source). From the lower web trays can be drawn up to 100 mm. or 150 mm. deep, depending upon the model.

Copper Development Association, Orchard House, Merton Lane, Potters Bar, Herts EN6 3AP, Potters Bar 50711.

energy should reach ETSU (Energy Technology Support Unit) as soon as possible.

As the Department of Energy representative on the EEC Advisory Committee on Programming Management for Geothermal Energy, Dr. Garnish expects to travel to Brussels three or four times a year. His British colleagues and the Institute of Geological Sciences.

The Energy Technology Support Unit at Harwell was set up by the Department of Energy 18 months ago to advise the Government on the policy for the future. It is particularly concerned with the prospects for alternative forms of energy.

Further data from ETSU, Building 1028, Harwell, OX11 0RA. (0235 24141.)

A HAND-HELD battery-operated halogen lamp, which projects an extra wide uniform beam of optical lenses, can illuminate an area of 200m<sup>2</sup> (2,200 feet<sup>2</sup>). The intensity and uniformity of the light produced is such that a newspaper can be read at any point in the illuminated area.

The L 140 searchlight lamp is manufactured by Mitaux International, of Basel, Switzerland. It is designed for use by repair and maintenance crews, security patrols, police, fire and rescue services, underground workers and all others who require a sturdy and maintenance-free portable light source.

Mitaux is at 75, Frobenstrasse, 4008, Basel, Switzerland. Telephone (061) 22 72 22. Telex 63603 Milux CH.

## Proudly announces

The commissioning of its new Scrap Baling Press which completes the current modernisation of the Works at Elstton Road, Wolverhampton.

The Rt. Hon. Lord George-Brown (opening the new plant)

"The plant being commissioned today provides the Group with the most up-to-date equipment of this type in the country."

Chairman of the Group

"As long as we create wealth we shall invest a substantial proportion of it in new plant and equipment for all our divisions enabling us to take advantage of any industrial recovery to the benefit of our shareholders."

The new machine capable of baling 100 tonnes per hour is situated in a Works equipped with two new automatic weighbridges and wide concrete roads for the convenience of our customers who require a safe and speedy turn-round of their vehicles.

The complex has the back up support of our own fleet of modern vehicles, equipped for customer service, capable of providing a most efficient clearance service throughout the area.

FOR THE SCRAP SERVICE THAT SATISFIES — TELEPHONE WOLVERHAMPTON 51587

AN ASRA COMPANY

**LAING**  
THE  
COMPLETE  
CONSTRUCTION  
SERVICE

• DATA  
PROCESSING

Simplified  
microfilm  
processor



1861. A block of Model Cottages erected with the aid of the Society. The cost: £75 per house.

1906. The new middle class with the aid of Society mortgages were at last buying their own properties.

1914. With remarkable foresight the Society insured all properties within 10 miles of the East Coast against war damage. When the Zeppelins came a lot of people rested easier.

1920. After the war, a house famine. But a special agreement between the Society, Corporations, Insurance companies and builders went a long way to meeting the increased demand.

1930. Not only did the Society get a new home in 'Permanent House' Leeds, but it contributed to Britain changing from a nation of rent-payers to a nation of house-owners.

TODAY. As the fourth largest in Great Britain, the Society, continuing its policy of promoting house-ownership, makes a special point of encouraging the first-time home buyer.

## FOR GENERATIONS WE'VE BEEN BUILDING OUR REPUTATION.



"1975...a year of great economic stress, but despite its many problems it is with considerable pride, that I report record results."

J. C. Roseoe, JP, DL, ACH, President (15.12.75).

Our foundations rest firmly on generations of confidence. We value this trust, because it has existed through many different economic climates.

1975 has been a year of uncertainty for many, but we believe that our performance has once again demonstrated that building societies are responsible custodians of the community's savings.

Our total assets reached £1,354 million.

The Society's assets now amount to £1,354 million compared with £1,109 million a year ago, an increase of 22.05%. This rate of growth in both real terms and percentage-wise is the highest in the Society's history.

Our investment receipts were a record.

...a record total of £595 million was received from shareholders and depositors.

And for the first time on record, the number of new investment accounts opened during the year exceeded a quarter of a million.

Our mortgage lending - the highest ever.

Mortgage lending of £271.4 million was a record - 25% higher than the previous year...

Our lending averaged almost £5½ million per week throughout the year.

We granted 37,500 new mortgages and helped another 7,800 existing members to improve their homes."

We're still building.

This year saw the opening of 25 new branch offices.

In total we now have 187 branches and 1,500 agents throughout the country.

This progress is designed to ensure that future generations can have all the confidence they seek.

Our reputation stands on it.

**The  
Leeds  
PERMANENT  
BUILDING SOCIETY**

## PARLIAMENT



# Tories lose patience over Chrysler delay

BY JOHN HUNT

THE COMMONS witnessed some fierce skirmishing over the Chrysler situation yesterday prior to the main battle which is expected to begin when Mr. Eric Varley, Industry Secretary, makes a full statement to the House at the beginning of the debate on the car industry.

The Tories impatient at the continual delays and the lengthy Press reports of Cabinet infighting, demanded to know when MPs would see the gloomy report on the future of the motor industry in Britain which has been prepared by the Central Policy Review Staff.

They also wanted to know when the Government would publish its reply to the equally critical report on the industry which has been drawn up by the Commons Expenditure Committee.

After angry exchanges and a Conservative demand for an emergency debate, Mr. Bob Mellish, the Government Chief Whip, announced that the CPRS report would be available at 11 a.m. to-day, published in full.

But the wrath of the Opposition, and some Labour MPs, continued unabated when he said that the reply to the Expenditure Committee would not come until after the Chrysler announcement had been made.

As Mr. Mellish tried to fight off the Opposition's deadly shaft to a backbench report simply because it may well be a little inconvenient or embarrassing.

A lengthy tussle followed



MR. BOB MELLISH

"I don't hector."

## Foreign cars push up share of U.K. market

IMPORT penetration of the U.K. falling and car imports from other countries rising. Mr. Shore said there was a year compared with 27.1 per cent in the corresponding 1974 period. Mr. Peter Shore, Trade Secretary, said in the Commons yesterday.

In January-November, 1975, exports of cars totalled £451.3m. compared with imports of £473.6m. In recent months, Japanese car imports had been on its feet," he declared.

FINANCIAL TIMES REPORTER

PROVISIONS are to be included in next year's Finance Bill with retrospective effect to yesterday aimed at countering tax avoidance schemes operated to benefit individuals under leasing partnerships. Mr. Robert Sheldon, Financial Secretary to the Treasury, said in a Commons written reply yesterday.

He told MPs: "I am aware that schemes have been devised which exploit the 100 per cent first year allowance in conjunction with other tax provisions to minimise the tax liability of higher rate taxpayers through the medium of leasing partnerships. Substantial amounts of revenue are at risk."

"I therefore propose to introduce provisions in the next Finance Bill which will ensure that where machinery or plant is leased or chartered by a partnership which includes a company and an individual, or by an individual or a partnership of individuals with an arrangement to bring in a corporate partner at some time in the future, whether trading or non-trading, the tax relief for capital allowances will be available only against the rental income of the partnership or individual."

"This legislation will apply to any expenditure on such machinery or plant incurred after to-day."

## Rate increases much lower next year, says Crosland

RATE INCREASES next spring local councils will be very substantially lower than they were this year. Mr. Crosland, Environment Secretary, said in the Commons yesterday.

Moving an increase of £1.045m. in the rate support grant, Mr. Crosland said that this would bring the total handed out by the Government to £5.475m. in the 1976-77 financial year.

He said that grants, as they now stood, had been determined at November, 1974 prices, and they had now to be adjusted to take account of increases in prices.

Last year's unprecedented crisis for local authorities had been met by an unprecedented rate of grant of 66.1 per cent. "Next year it will be different. Local authorities should budget for a standstill in current expenditure, not growth."

They could expect a sharply declining rate of inflation because of the Government's anti-inflation policy, and their general financial position was much healthier than a year ago. Mr. Crosland said that at November, 1975, prices the aggregate Exchequer grant would be £6.842m., which would mean a reduction in the grant percentage to 65 per cent.

He could not hope that there would be room for any extra growth in local government expenditure next year, "because spending this year was likely to reach the level we planned for next year."

The implications of a standstill in expenditure were unpleasant. The cash limits would provide financial discipline, while preserving the essential freedom of local government in deciding its result of public demands on their

own priorities.

Opposition environment spokesman Mr. Timothy Raison said Mr. Crosland's attempt to provide some reassurance for ratepayers looked pretty unconvincing.

This was based on the Government's intention to reduce the rate of inflation to 10 per cent by late summer next year, and to single figures by the end of next year. In line with this, it was expected that the rate of inflation in local authority costs would not be more than 11 per cent on average 1975-76 costs.

Mr. Crosland said if local authority expenditure increased because of changes in Government policy, the cash limit would be reviewed.

The rate increase next spring would be very substantially lower than this spring. The reaction to this year's rate support grant settlement had been subdued but not basically hostile.

After the chaos and crisis of 1973-74, local Government finances were now in a far healthier condition. "And the public can face next year's rate increases with reasonable equanimity."

Mr. Crosland said he now expected to get the report from the Layfield committee on local Government financing early in 1976.

He said the belief that expenditure, and not financing, was the crux of the matter was one reason for the decision to introduce cash limits. Local authorities should know how they were to budget if the Government failed to reach the target of single figure inflation.

It was a vital necessity not to pile more expense on the rates. The Government should apply far greater pressure on local authorities to hold down rates.

It was not enough to rely on elections, because many parts of the country would be holding elections next year.

"Local authorities must economise and realise the burden carried by the wealth producing sector of the community is now altogether excessive."

## Carr wants decision on M23 stretch

MR. ROBERT CARR, former Home Secretary, accused the Government and Greater London Council yesterday of lacking responsibility towards thousands of families suffering anxiety and hardship because of the "interminable delay" in reaching a decision about the northern extension of the M23 motorway.

Mr. Carr, Conservative MP for Caversham, said in a letter to Dr. Jim Gilber, the Transport Minister, that the previous correspondence with Dr. Gilber was "wholly unsatisfactory" and he wanted to hand a deputation.

"The continued delay might be slightly less intolerable if there were the slightest chance of actually constructing the northern extension of the M23 in the foreseeable future, however foolish it would be to do so. In practice however, the economic position is such that the chance of building this road for many years to come must be almost zero."

**HALLMARKING UP AT BIRMINGHAM**  
The November submissio

Results for the year ended 31st July, 1975 are announced as follows:

	1975	1974
Consolidated Profit before taxation	£1,064,491	£617,689
Total Shareholders' Funds	£6,860,521	£5,793,258

Wallace Brothers  
Trading & Industrial Limited  
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(Holdings) Limited  
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HEADOFFICE  
4 Crosby Square, London EC3A 6AJ

# Mrs. Castle hopes pay beds plan will bring hospital peace

BY JUSTIN LONG, PARLIAMENTARY CORRESPONDENT

THE COMPROMISE proposals and indefensible in practice." Mr. of the country served by a specified circumstances and an appropriate charge. Ministers would have to be satisfied that there would be sufficient accommodation or disadvantage to NHS patient

across the Dispatch Box with Mr. John Peyton, "shadow" Leader of the House, accusing the Government of treating the motor industry with scant regard and Parliament with derision. He advised Mr. Mellish to treat the House with proper respect even though he might hector his own backbenchers.

Mr. Mellish thundered: "You are living up to your usual standard of stupidity to say that I hector. I don't do anything of the sort." According to him, the Government was behaving in a way that was "logical, honest and decent."

The struggle was taken up by Mr. Michael Heseltine, "shadow" Industry Secretary, who demanded an immediate statement on Chrysler instead of waiting for to-day's debate.

There was an angry and surprised outburst from the Opposition when Mr. Varley replied that discussions with Chrysler were not yet complete. He said that detailed heads of agreement were still under discussion but he would be in a position to report the outcome to-day.

Mr. Heseltine told him: "Could you explain to your colleagues that their bickering and infighting—all linked to the Press—have destroyed what little credibility the Government strategy has left?"

Labour backbenchers also showed impatience at the delay in making an announcement in a final shot. Mr. Raymond Fletcher (Lab., Ilkeston) told Mr. Varley: "If I believed the Act of Parliament. The pay beds so to be treated would be listed on the criteria and mentioned after consultations

It was accepted, said Mrs. Castle, that there were some pay beds and facilities which could be phased out without delay because of their under-use or the reasonable availability of alternative facilities for private practice.

From the Opposition front bench, Mr. Norman Fowler, endorsed Mrs. Castle's view that the issue should be decided by the House, I would resign the Labour whip this afternoon. But the fact that I don't believe everything I read enables me to stay on this side of the House."

It is both wrong in principle for private medicine in the area

to principles: first, that private beds and facilities should be separated from the National Health Service, and secondly, it would explicitly commit the Government to the maintenance of private practice by renewing the existing legislation which entitled doctors to work both privately and in NHS establishments.

It was accepted, said Mrs. Castle, that there were some pay beds and facilities which could be phased out without delay because of their under-use or the reasonable availability of alternative facilities for private practice.

The Bill she proposed would therefore, detail 1,000 pay beds to be phased out of the NHS within six months of it becoming an Act of Parliament. The pay beds so to be treated would be listed on the criteria and mentioned after consultations

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Mr. John Davies (Lab., Enfield N.), maintained that Mrs. Castle should be being taken to provide those alternative beds and withdrawal, a system of comm waiting lists were to be introduced.

Mrs. Castle said that these matters would be kept under continuous review. Where all expressed reservation of b h mister, but it is proposed: the legislation should insta

She assured MPs that if the professions as a whole agreed to the proposal and normal working conditions were resumed, then the Government would embody the proposals in legislation.

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## MP calls for prompt action on Press report

SEVERE PROBLEMS will face newspapers going to the Press by the time the Royal Commission makes its interim report at the end of January. In your response to the Commission's recommendations order that the crisis can be averted.

Earlier, Mr. Peter Shore, Trade Secretary, said the Commission was expected to produce its report on immediate problems facing the newspaper industry by the end of January 1976.

Mr. Shore stressed that he was aware of the industry's problem and, as far as possible, to present the Commission's recommendations to the Royal Commission.

Mr. Shore added that he hoped the Royal Commission would be guided by particular criteria to reduce opposition to her policy to reduce the number of redundancies.

Mr. Shore acknowledged that some features of the French scheme were undoubtedly more generous than those which had been introduced in the U.K. but make a statement before the New York were subjected to pursued so that Concorde's scheme could start a

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# FINANCIAL TIMES SURVEY

Tuesday December 16 1975

## Pacific Capital Markets

World recession has put the brakes on the economic development of the emerging countries of the Pacific region. For the financial centres involved, the message is that until recovery occurs the way ahead is likely to prove difficult.

ALL COUNTRIES on the rim by growth of less than 5 per cent. means failure. Experts trying to make democracy work in the area are jittery about what will happen if the future plans of Hanoi. But South Korea is worried again the defeat of Nguyen Van Thieu would have even greater significance if it caused the U.S. and disciplined Singapore to lose interest completely in Hong Kong of the capitalist bloc in the Western Pacific. The U.S. case study. In so many ways of countries is still steaming ahead single-mindedly, and it typifies the claim that the Pacific region exemplifies the both the ordinary people have had to accept a considerable cut in their real incomes.

Malaysia may be taken as a case study. In so many ways of countries is still steaming ahead single-mindedly, and it typifies the claim that the Pacific region exemplifies the both the ordinary people have had to accept a considerable cut in their real incomes.

Japan is the most important trading partner for the developing nations and when—as now—Japan's economy slows down, the region also needs a strong partnership with the U.S. and Western Europe, and here there is still interest, but some of them are hurt. Some experts think that had it not been for the actions of Washington since the North Vietnamese marched into Saigon have been those of a sulky spoilt child who because of the recession, partly

Malaysia needs high growth and great confidence if it is to press ahead with ambitions—and vital plans to restructure society to give the poor, rural Malays some opportunities.

There is probably more concern about the future of the oil industry, has a breathing space. But there are still all the answer to all the problems, the shipyard at Johore has opened—but often without sufficient awareness that you just cannot wave a magic wand and change society—even if you do have great riches. Shipowners are already commenting that the labour at Johore is not as skilled as in Singapore with which the yard is competing for business in a shrinking recession-hit market.

Malaysia is not alone. Indonesia has been shaken by the

Communist threats to take away all his world. North Vietnam is fresh marble if he loses a game. Politicians are bickering and war with the U.S.-backed glimmers of hope throughout regimes in the South China, the Far East that the world good number of the great plans for changing society are still being pursued—for example, the shipyard at Johore has opened—but often without sufficient awareness that you just cannot wave a magic wand and change society—even if you do have great riches. Shipowners are already commenting that the labour at Johore is not as skilled as in Singapore with which the yard is competing for business in a shrinking recession-hit market.

Malaysia is not alone. Indonesia has been shaken by the

because Tokyo bought from is more important than Japan. Peking—Pertamina might have been able to pull through. With in overall development may be argued. On its own, it does not employ many people, but it is by the host developing countries if they are ignored: it takes no account of what happens if development opportunities are missed because of general expertise of the ties are missed because of

Japan's importance also contains more than a suggestion of Japanese arrogance if not imperialism—attitudes which have already surfaced. Since the anti-Tanaka riots of early 1974 Japanese companies have been number of American companies in Malaysia and Singapore, the which have investments in the French in Indo-China, the even if or when they do attain high growth rates again, the developing countries still have across remains to be tested. The matters. Such an attitude could both business and political.

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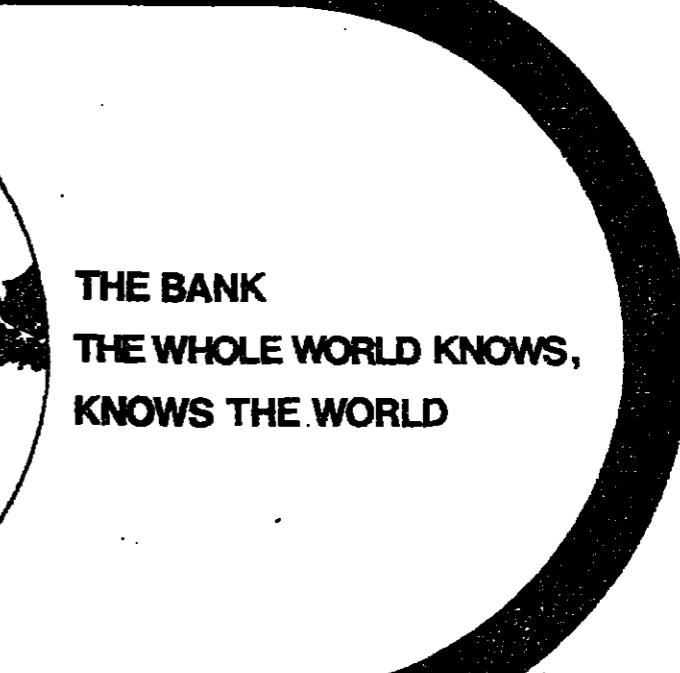
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## PACIFIC CAPITAL MARKETS III

## Hong Kong and Singapore

NOT LONG AGO, in times of world boom, a multitude of places began to lay claim to being important financial centres: "capital market," "regional banking centre," "regional financial centre" were vague expressions bandied loosely about the Far East. Nowadays, when times are harder, a lot of the heady pretensions of the days of high growth have been exposed and two places stand head and shoulders above the rest—Hong Kong and Singapore. They are the only places in the Far East (Tokyo apart, and Tokyo has shunned an international role) with an international financial reputation.

Experts have tried from time to time to devise a list of the sufficient and necessary conditions making a place an important regional financial and banking centre. They would include a good location and communications base; educated and skilled local people, preferably with large numbers fluent in English; political stability; a sound currency; well-established capital and foreign exchange markets; a minimum of exchange and other controls and of taxation on offshore business. Some experts suggest that official encouragement is also an important factor to-day.

According to that list, or anything like it, Singapore and Hong Kong have a huge lead over the rest of the region. By the tokens of government encouragement and taxation (or lack of it) of offshore deals, Singapore scores over Hong Kong.

## Check-list

Indeed the cynics used to claim that Singapore had a check-list of what makes a financial centre. Item by item, starting in 1970 with the Monetary Authority, it followed the list and set up its financial institutions—or so it was said. A few years back, for example, the check-list said "discount house," so Singapore decided to set up its own and experts were brought over from the City of London.

At this stage the scoffers were loud in proclaiming that Singapore was not ready for discount houses. But the four discount houses are to-day firmly established along with 66 commercial banks, more than 50 of them foreign, 21 merchant banks and five international money brokers. Singapore is also the centre for a \$12bn. Asian dollar market, with more than 80 per cent of the money being channelled into projects in the region. The Bank of America, the world's largest, has set up one of its three multi-currency units in Singapore. The others are in Panama and London.

In its desire to improve competitiveness and efficiency the Monetary Authority of Singapore earlier this year freed the banks from their cartel, allowing individual banks to charge their own interest rates. It also gave the go-ahead for banks to issue negotiable certificates of deposit in local currency.

By comparison Hong Kong has resisted the temptation to bring radical change to its banking system. Hong Kong probably has 74 licensed banks, but only one—Barclays—has been licensed since the mid-1960s wider if the long-established Government pump-priming, people and more intractable foreign banks in the colony, counted as local. Jardines has a orthodox Finance Ministry many of which would dearly like a large subsidiary in Singapore in opposition.



New buildings tower over the old by the Singapore River.

love to get a toehold in Hong Kong's domestic market. There was a lot of talk of licensing new banks more than a year ago but under pressure from the old-established institutions like the Hongkong and Shanghai Mr. Philip Haddon-Cave, the colony's Financial Secretary, decided that the poor world economic climate was hardly the time for radical moves.

The colony has also refused to remove the 15 per cent, withholding tax, a tax which impedes the growth of an offshore market like the Asian dollar market.

But bankers in Hong Kong would reject the notion that that would mean that the colony must yield place to Singapore as a banking or financial centre. Much of the money in the Asian dollar market, they point out, comes from Hong Kong. Some quarters in Hong Kong regard Singapore as an arrogant and immature upstart.

Backing this up, they can add that the colony's financial institutions have a greater overall depth than those of Singapore. Turnover on the stock exchanges of Hong Kong is several times greater than those of Singapore and Malaysia combined.

The Haw Par affair illustrates how vulnerable Singapore is. By the standards of the region or even of Hong Kong Haw Par is only medium-sized, but in Singapore Haw Par is one of the top 15 companies and after the big banks was the one with the largest turnover on the stock exchange.

Moreover, Singapore still has emotional hang-ups about the original sale of a locally owned Chinese company to outsiders like Slater Walker. It is doubtful whether such an attitude would be allowed to surface in competitive Hong Kong.

Both Hong Kong and Singapore, of course, have been dependent on foreign money and investment both to provide new jobs and to improve local technology. Singapore has for some years been strong enough to invest abroad, and Singapore has resisted the temptation to bring radical change to its foreign banking system. Hong Kong probably has 74 licensed banks, but only one—Barclays—has been licensed since the mid-1960s wider if the long-established Government pump-priming, people and more intractable foreign banks in the colony, counted as local. Jardines has a orthodox Finance Ministry many of which would dearly like a large subsidiary in Singapore in opposition.

The record of Hong Kong illustrates the tensions between the interests of the bankers and businessmen on the one hand and those of the masses. Sir Murray MacLehose took over as Governor four years ago with reforming intentions, determined to spend money on improving health, education and housing for the crowded Chinese.

Expatriates and the wealthy Chinese were horrified by such zeal. From their spacious homes atop the clear air of the Peak or watching the sweep of Repulse Bay, or nestled in the old charm of Stanley village, all far removed from the dingy tenements piled higgler-mugger giant rubbish tip high on Kowloon, over their prolonged executive lunches, far from the snatched bowls of soup in ten or 12-hour crowded factory shifts, they saw disasters. Social spending meant more bureaucratic interference or higher taxes, slippery slopes which Britain had trod to indiscipline and ruin. This year, when the Government deficit had been trimmed and financial orthodoxy restored, one senior official told me: "The Governor is setting in."

Tax rates in the colony have remained at a flat 15 per cent for some years. For the past two years there have been warnings that they might go up, a device to get business acceptance of higher rates and prevent a mass exodus or shortfall in investment, but with the recession the financial secretary dared not risk a rise. Even in good times, informed opinion in the colony thought that a jump to 20 per cent would be too much for the colony to bear.

Singapore's social performance is impressive by comparison with Hong Kong, or indeed anywhere. The island republic has the best housing record in Asia: its per capita earnings are the highest in Asia after Japan and there is not much unemployment; the spread of industry is wide—this is a performance the more noteworthy when Singapore appeared to have little to offer apart from a good harbour at the time the British left.

Yet all this has been accomplished at great cost in personal freedom. In some spheres there is evidence that the Government panicked. This includes the much-vaunted housing, where Singapore is finding that there is a cost in social unrest and hooliganism from trying to pack half its population like sardines into high-rise flats. In Singapore, as in other places throughout the Third World, there is a vast gulf between the elite and the masses. Other critics also allege that although Singapore has higher tax rates—40 per cent corporation tax when tax holidays up to 10 years have been exhausted—it is too heavily dependent on foreigners for its expertise and progress.

Officials in both the colony and the island republic would say that foreign investment was essential and that to attract it wages must remain "competitive," that is lower than in neighbouring countries. This opens a wider point of whether for everyone to pull in his belt, this means that if Hong Kong or Singapore gains then Indonesia or India, with poorer

However, this policy has been tempered somewhat by some business enterprise and local

and there are about 50 other hongs like Jardine Matheson are, though not without strenuous problems, loses.

Kevin Rafferty

## Japan

CONTINUED FROM PREVIOUS PAGE

plemented by the EEC. This creates a political backlash in recessionary conditions. It Japanese Prime Minister visited all South East Asian countries in the Japanese market, although it does not extend to all manufactured articles. And Japan also operates a business. A foreign aid programme which used to be the second largest after the U.S., but which last year fell below the German and French levels. The 1974 total was almost \$3bn., a decline of almost half from 1973's figure of \$5.8bn.

The reason for the fall is that private investments and export credits are included, under standard OECD procedures, and they took a dramatic tumble. Official development assistance (ODA), which is the Government aid, in fact increased by 11 per cent in 1974 to reach \$1.1bn.

The largest share of this aid and investment programme goes to developing Asia, and the typical situation for the countries of that region is to find that Japan is now their largest foreign investor, largest export market, largest supplier and largest aid donor—accounting for anything between a quarter and two-thirds of the global trade and 10 per cent of Mexico's President Juan Echeverria of Japan's political acceptability in East Asia, but in the less well-known sense of investment and trade with Latin America. Trade with this area is at its highest level, with Latin America's

Japan was unlucky enough to American raw materials, while Colombo Plan in the form of imports, reflecting the Latin American desire to diversify away from an organisation—the South East Asian Economic Conference—in market and supplier. Japanese

Japan was the third of the off-take of Latin America to fall, reflecting the Latin American desire to diversify away from an organisation—the South East Asian Economic Conference—in market and supplier. Japanese

Dick Wilson

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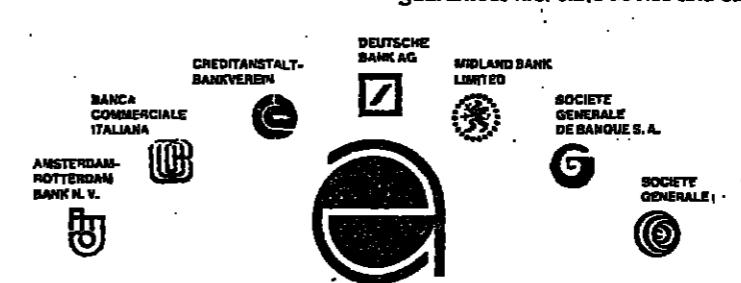
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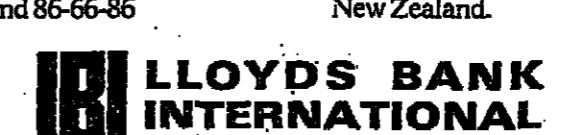
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## PACIFIC CAPITAL MARKETS IV

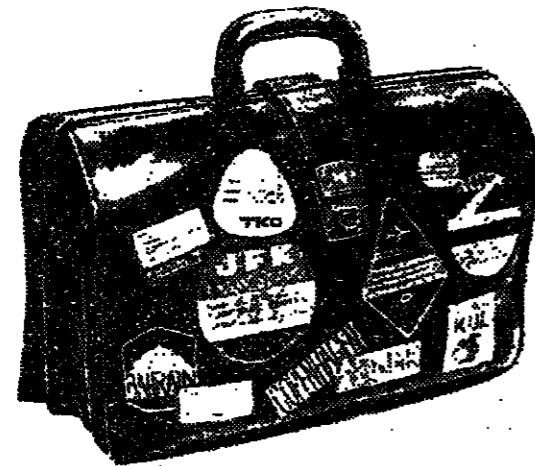
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## Troubles down under

THE ELECTIONS in both Australia and New Zealand have in recent weeks introduced a marked degree of uncertainty into prospects for the banking systems of both countries in the coming year. Mr. Robert Muldoon's new National Party Government in New Zealand since the last of the rationalisations which produced the present structure

— an enforced development, perhaps, but one which evolved with surprising speed after such a long period of calm and virtual non-competition. The past year has seen the development of the first really significant competition between the Australian banks since the last of the rationalisations which produced the present structure of the industry (seven major trading banks, each with their savings bank operations, plus the smaller-scale Bank of New Zealand and Banque Nationale de Paris and a handful of banks limited to one-State operations).

The Australian elections have produced a somewhat similar outlook, with the likelihood of a need to resort heavily to monetary policy to dampen down another threatened take-off in inflation. The banks have developed a far greater resilience in coping with such situations in the past few years

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That structure is now so firmly entrenched that, for practical purposes, it could be regarded as permanent. The tightly woven web of supports and obligations between the banks and the Government makes a failure virtually unavoidable, while from the other

direction, the major political parties share a common view that the field is closed to new entrants. On the latest figures, the total assets of all Australian trading banks was \$A19bn., and the big seven accounted for \$A17bn.

The Australia and New Zealand Banking Group made a decisive break with past practice in March, with reduced interest

rates on most loans and deposits below \$A50,000. The overdraft rate went down 0.5 per cent, and housing loan interest by between 0.25 and 0.5 per cent. The rate for interest-bearing term deposits fell by as much as 1 per cent. Previously, it had been the almost invariable pattern that the reserve bank would alter rates for the system as a whole.

The dividing line between formal and informal pressure to conform to the old system was blurred: if one of the major banks had wanted to break away it probably could have done so without risking retaliation. But the issue was put beyond doubt by the introduction from February of the strengthened Trade Practices Act, which decisively transferred any risk away from competition and squarely on to any suggestion of collusion.

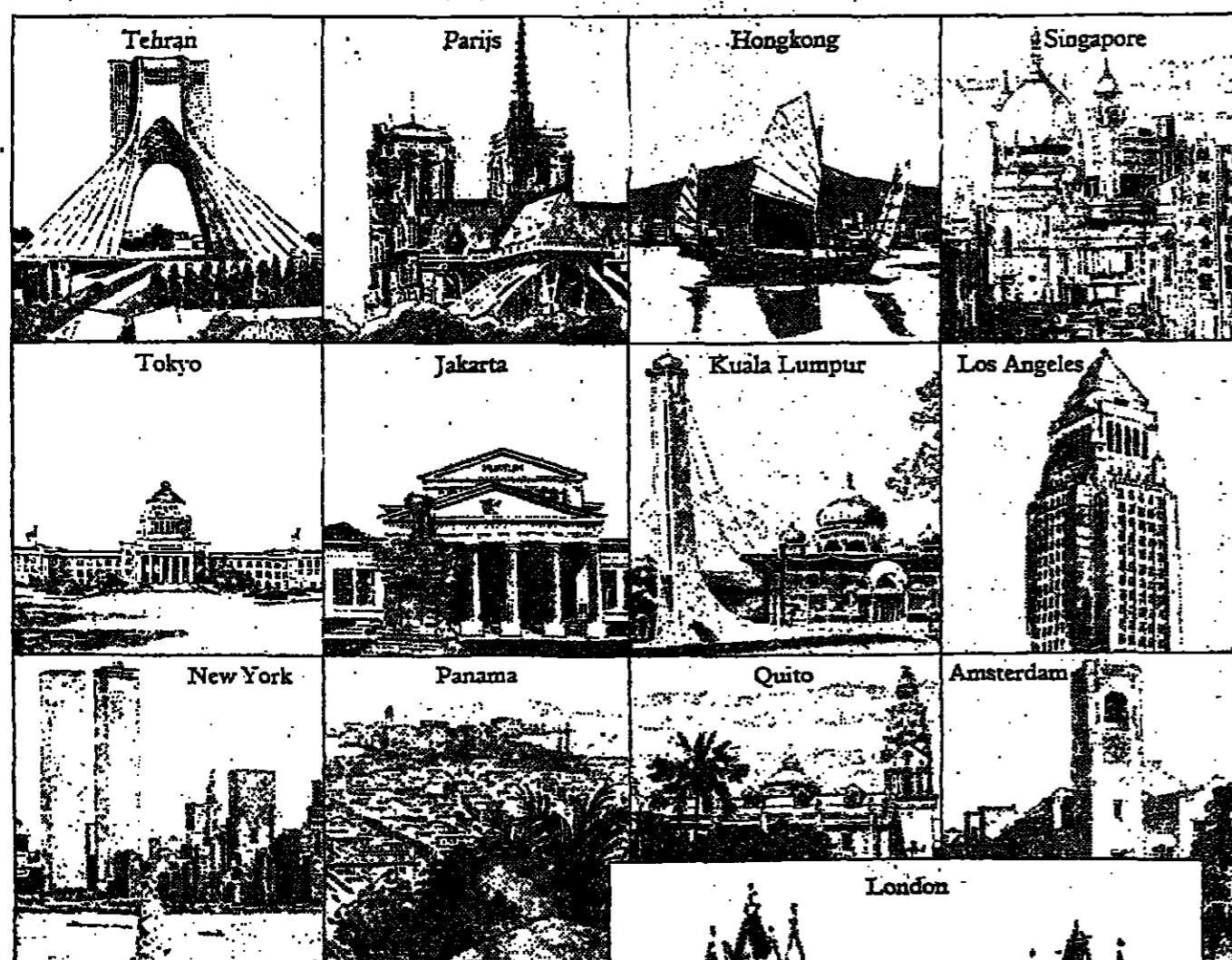
In addition, the Government has been anxious to strengthen the position of the formal banking system vis-à-vis the "fringe" banks which proliferated so spectacularly over the past decade. The foreign investment activity in the event, for example, of the failure of a major company with bank-endorsed bills in circulation.

The banks have also been in banking history was diversifying in other directions, cussed in agonising detail but notably insurance and hire did not eventuate last month purchase, where the latest during the Government's financial crisis is the Commonwealth Bank crisis arising from the Bank, previously excluded by blocking of the budget by the its Government charter. But Senate. The banks were called the banks are also well pleased to secret talks with the Treasury with their combined venture on means of providing buffer into retail credit through Bank action for their customers if card, launched just over a year ago. The Government was unable to go with a distribution of 1.5m. pay suppliers or employees, cards in Sydney, Melbourne and What was actually agreed, or Canberra. It is now estimated not agreed, at those talks that about 500,000 of that mains largely a close secret original issue are in regular In the end, the issue was use, giving what is claimed to be the biggest acceptance rate can events which saw the dismissed of the Government and Saturday's elections. But given are still some way off, but that experience on top of others shortly will confirm, according to the bankers, that progress is equanimity about their capacity to handle the immediate future "very satisfactory."

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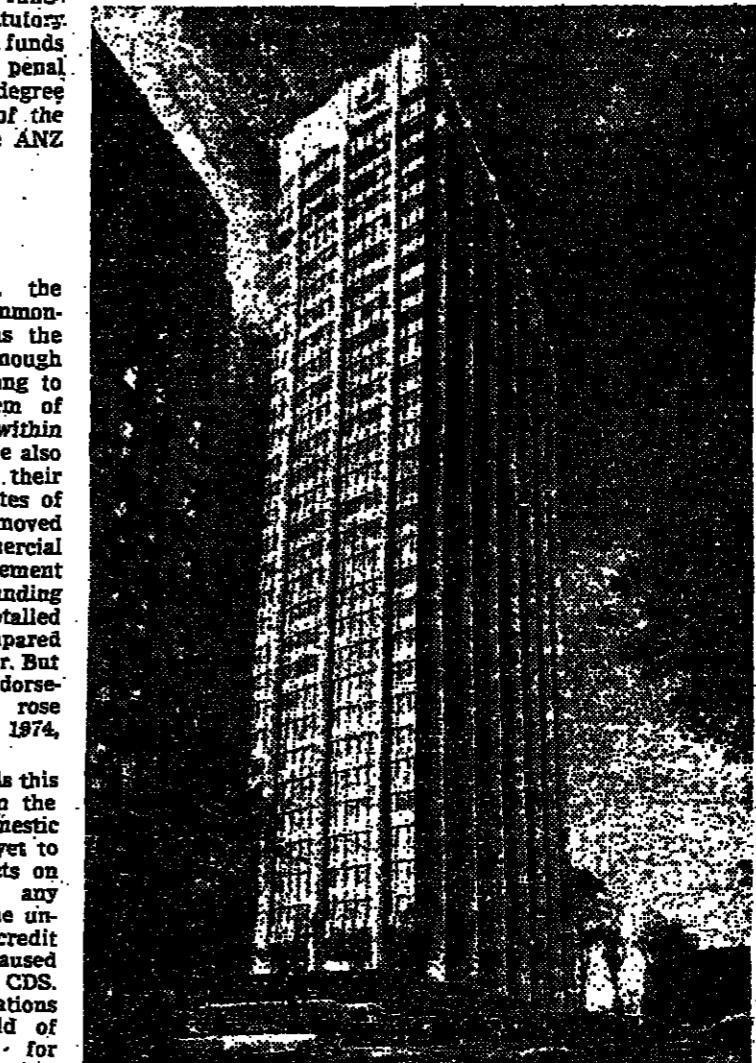
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## PACIFIC CAPITAL MARKETS V

# Strong nerves needed in South East Asia

THE "DOMINO" theory reared up by Mr. John Foster Dulles (under which all of South East Asia would eventually topple over and bow down before the might of Communism) is a myth—everyone I note in every country of South East Asia agrees. But everyone has become increasingly nervous after the fall of the Nguyen Van Thieu regime in Hanoi.

What are the Communists intentions? Where might they try to strike next? Who are their supporters and to what extent will they be prepared to support? Can capitalism survive in Asia? Can it provide a decent life for all the feuding masses? Will Communist pressure and the new capitalist and Western uncertainty bring down a few more Governments? These are just some of the questions, and one seems to be answering them with any certainty.

It has not been a good year for those opposed to Communism, and the world recession has hardly helped. It and the twitchy aftermath of the Vietnam war have increased the uncertainties in each of the South East Asian nations.

## Indonesia

Indonesia should be the best of all the countries in South East Asia. It may to-day be the worst performer. It could be the success story because it has oil; it has many other riches, most of them waiting for development; it has a young local market and a government receptive to foreign capital; it is furthest in the scene of the Indonesia conflict and separated by the seas; it has "political stability"—at least to the extent that the Government is liable to ruthlessly to anything it sees as an attempt to undermine it.

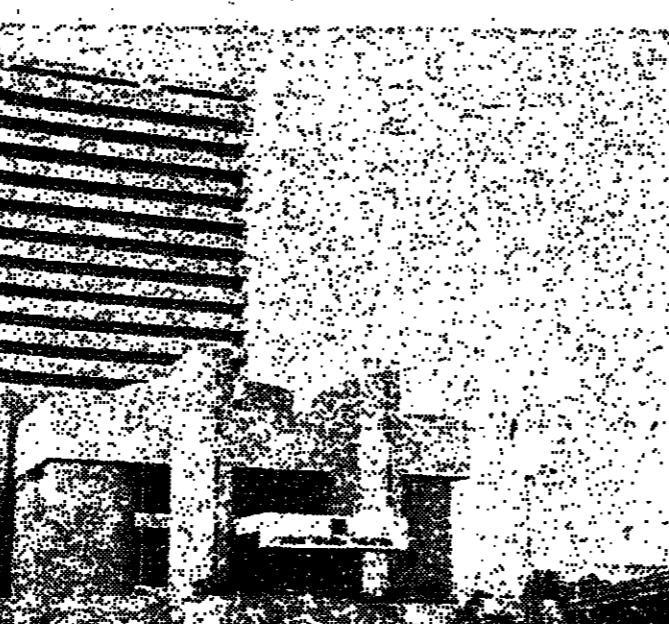
Indonesia's situation is especially bad because it is still sorting out the problems of Pertamina. Pertamina, the State company, was the star performer which overnight became star liability when it failed to pay debts amounting several billions of dollars. Taming was much more than an oil company. It had interests in practically every commercial type of venture. It attracted Indonesia's finest young men. It was itself run by a trusted general almost as powerful—if equally so—as the President. Pertamina's crash illustrates pitfalls of trying to bring up development in a country so many of Asia's typical traits. The recession merely ed in the strain by cutting any spare fat. Timber prices fell. Even oil production peaked as prices rose fourfold. cover, Japan began to turn some of its oil supplies. For the rest, Pertamina's were the result of a mix of political and economic greed, over-ambitiousness and sheer lack of both proper planning or accountability.

Importers of Indonesia may that is too easy to exaggerate the importance of the oil crisis. The country has an attractive market, a foreign company told me that it was taking a "wait and see" attitude. It had drawn up investment plans more than two years ago but then student riots had overthrown Thailand's military strong men rulers and brought about a period of prolonged uncertainty. Anti-Japanese outbursts and the world recession have made things much worse. This businessman confessed that if a military or strong Government came to power again in Bangkok it would at least "clear the air" and restore certainty.

When I was in Bangkok last month an executive of one oil company told me that it was taking a "wait and see" attitude. It had drawn up investment plans more than two years ago but then student riots had overthrown Thailand's military strong men rulers and brought about a period of prolonged uncertainty. Anti-Japanese outbursts and the world recession have made things much worse. This businessman confessed that if a military or strong Government came to power again in Bangkok it would at least "clear the air" and restore certainty.

At this point there is a real clash between the interests of stability and business prosperity and those of bringing development to the masses. During the days of the military rule of Marshal Thanom, there was stability, hardly any strikes and respectable growth. But at the same time, the military could not get on top of revolt and insurrections in the north, northeast and south of the country. Bangkok indeed prospered but the gap between it and the rest of the country widened. What the present Government of Mr. Kukrit Pramoj has been trying to do is to keep the strong entrenched interests of Bangkok, army, civil service and "rich" especially Chinese, businessmen happy while trying to do something to restore the balance and lay the seeds of development in the area outside the Bangkok metropolis.

Facilities like telephones and television have played havoc



The Bank Negara headquarters in Kuala Lumpur.

but foreign companies have claimed that they have had difficult negotiations especially in getting work permits. Malaysia may be the loser in this. One large Western bank in Kuala Lumpur for example succeeded after long arguments in getting permission for two of its nationals to work in the Malaysian office; yet the Singapore branch of the bank had nine foreign nationals, a much larger local staff and a much wider and more sophisticated range of operations. Partly this is because in spite of the recession Singapore has continued to grow and improve its financial facilities, but at one time Malaysia thought that because it had the raw materials it would be able to rival and beat Singapore even as a financial centre. If it still does, it must show more flexibility.

There are signs that the Malaysian Government is trying to correct things. In October it held a big seminar at which the Prime Minister said that Malaysia was anxious to encourage foreign investment. More than 250 businessmen, half of them bankers, attended the sessions showing that there is no lack of foreign interest. But afterwards many of the participants complained that the different ministries were saying different things.

Kevin Rafferty

## Philippines

The Philippines has not been directly affected by the aftermath of the Vietnam war, though the fall of Saigon produced a rash of nerves, and President Marcos talked of closing the American bases. The Philippines' main worry has been rising prices of its oil and manufactured goods imports together with the falling prices of its export commodities. This has produced a huge balance of payments problem.

Again there is much marking time in regard to development. President Marcos has promised that it will be highly praised except by political opponents who have been imprisoned. Foreign investment will have a large part to play and the Government is anxious to set up a financial centre which will have regional importance and may soon rival Hong Kong and Singapore. Under 1973 regulations foreign banks have been allowed to invest in local banks in an effort to boost the local expertise and sophistication. So far more than \$30m. has been pumped in and more than a dozen international banks are represented.

As a result of this and the difficult world trading conditions, business has been marking time. Little has been felt of the impact of the first public stock exchange set up late last year. Investment decisions have been postponed and foreign investment this year fell sharply.

Politically, President Marcos looks secure, and has won support for ending the old "cowboy society." He received an overwhelming majority in his referendum early this year; he also won his duel with his rival Senator Aquino, who had threatened to fast to the death in prison but then gave in. The Muslim rebellion in Mindanao is still going on but is not causing as many problems as before. However, President Marcos rules to a large extent by fear. Other leaders have discovered that this can lead to greater dangers. If you travel in the areas outside Manila, you quickly realise the contrast with the high life of the capital and see how difficult it is to make a living in remote rural areas.

Malaysia was full of the highest hopes two years ago, of being the fastest growing nation in Asia, of rivaling Singapore as a financial and banking centre; now these hopes are tempered with doubts.

There are the doubts of stability and business prosperity, of course, but Malaysia is still showing respectable positive growth. At one time it was dependent on rubber and tin for its earnings, a world slump caused no end of trouble, but to-day Malaysia has a wide spread of commodities, tin, rubber, timber, palm oil, and is even a net exporter of oil.

There are doubts about a resurgence of terrorism. The Communists hiding in the jungles have recently become emboldened enough to launch attacks in the capital, Kuala Lumpur, itself. But, even so, the scale of the attack is nothing like the 1950s during the Emergency.

The biggest doubts concern the Government's plans to boost the Bumiputras, the Malays, who have always lagged behind the Chinese, businessmen happy while trying to do something to restore the balance and lay the seeds of development in the area outside the Bangkok metropolis.

Political observers think he has

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SOCIETY TO-DAY: FROM MUNICH

BY JOE ROGALY

# The worrying case of Charlotte Niess

WEST GERMANY is suffering those who are thought to be from a mild bout of authoritarianism. I use the word "mild" because it does seem that what is happening in the case of Charlotte Niess. She is the victim of a formal process and also because it is important to avoid the trap of describing recent events as a reversion to Nazi habits, or even a McCarthy-style witch-hunt. It is neither of those, although it does constitute a serious blot on the record of what remains one of the more attractive politics of Western Europe.

Just how serious it is can be judged from the case of Charlotte Niess, a 28-year-old jurist (there is no other term that properly describes her profession) who has been denied employment by the State of Bavaria because she is a member of the Board of the Association of Democratic Jurists, a left-wing pressure-group. Of the 25 members of this Board, 12 are in the Communist Party. Miss Niess is not; her other affiliations are to the public service trade union, a liberal-leftist jurists' group, and the Democratic Party.

**Dangerous**

It is true that the job for which she applied—a job that, indeed, she was granted until a last-minute withdrawal of the offer for what were initially described as "official reasons"—is a sensitive one: she wished to become a judge in the civil court at Nuremberg, something for which she has taken two final examinations. The second after 3½ years as a trainee in Munich. It is also conceivable that the less formal and more mysterious processes that lead to the creation of judges in Britain have their built-in barriers against scandal in West Germany. It



Armed police check vehicles in the vicinity of the Stuttgart courtroom where the Bader-Meinholz terrorism case is proceeding. The activities on which the case centres are among the things cited as demonstrating the need for examining the political background of applicants for State employment in West Germany.

My own conversation with her brought out answers that would place her, in English terms, not far from the right of the Labour Party. The Association of Democratic Jurists may support Chilean solidarity, but Miss Niess seemed genuinely shocked at my description of cases of British workers who have been dismissed from their jobs because they do not belong to the approved trade union. The closed shop, she said, was unconstitutional in West Germany, and she hoped very much that it would remain so.

The Niess case has already become something of a national scandal in Britain have their built-in barriers against scandal in West Germany. It

may bubble on for some time. Such cases, he said, "are to my mind an alarm signal warning that in the defence of our legal system we are near to trespassing on the limits of this legal state." This developing campaign in support of Miss Niess should not be mistaken for a sign that her case is an exception, or that all will be well if only she wins in the end. The law governing *Berufserbörter* (literally "professional disbarment") is based on both long-standing German tradition and a clause in the 1949 Basic Law that stipulates that persons employed by the State must support the democratic Constitution.

Since it was last codified, in

the beginning of 1973, it has been used against nearly 300 applicants (270 by June 1975, according to the Federal Ministry of the Interior). This is the number of people officially told that they could not be employed because their political background was unsuitable. It is a number that should be weighed against the half-million or so computer checks carried out for State authorities by the Secret Service.

The number of "politically undesirable" persons turned down cases

— which includes

persons employed by the State

— and they propose

to elaborate legal safeguards and

much larger. Social Democrats' rights of appeal for those who

are conservative.

Next year's Federal Election,

always awkward to get a job in the Bavarian State service, if you are not a supporter of the ruling conservative Christian Social Union. These same people acknowledge that it has probably worked the other way round in which Nazi sympathisers helped to destroy the democratic state from inside. Many call in evidence more recent experiences, such as the wave of student unrest after 1968 when radical students threatened a "long march through the institutions." Until about two years ago, these radicals appear to have marched into oblivion. Others will remind you of the security scandal surrounding the abdication of Herr Willy Brandt as Chancellor. Yet others point to the Bader-Meinholz terrorism case, still being tried following a much debated change in the law designed to combat the obstructive tactics of the accused and their defenders.

The real explanation is a lack of self-confidence. This may be hard to credit in modern West Germany, but when you persist, some will acknowledge it. One of the most solidly anti-extremist voting populations in the world has produced politicians who do not trust their citizens' ability to withstand possible subversion from a handful of radical engine drivers, or teachers, or judges—as if misbehaviour by the latter could be kept secret for more than the time it took superior judges to read the details of any illegally or maliciously handled trial. Even teachers are much less likely to get away with attempting to indoctrinate children in West Germany, where classrooms are strictly supervised, than in easy-going Britain.

What they seem unable to in which security will certainly be an issue (with the Christian Democrats trying to brand their Germans of all parties as Social Democratic opponents as Red), can be cited as a cause of an increase in the temperature of the debate on *Berufserbörter*; but not as a good enough explanation for the continued attachment of most politicians to some form of it.

The Christian Democratic politicians add to all this the argument that Germany is a divided nation, with a Communist dominated half whose purpose is to subvert the free institutions of the Federal Republic. It is to the east that the West German Communist Party looks for financial and moral support, they say. How can the same person be true to both this Party and the free democratic Federal State? they ask.

Christian Democratic politicians add to all this the argument that Germany is a divided nation, with a Communist dominated half whose purpose is to subvert the free institutions of the Federal Republic. It is to the east that the West German Communist Party looks for financial and moral support, they say. How can the same person be true to both this Party and the free democratic Federal State? they ask.

While all this is understandable, given the extremely short history of democracy in Germany, it is not really convincing. The Federal Republic as presently constituted sometimes seems like better bet as a guardian of liberty than, say, Britain. It is prosperous, very largely content, and, if anything, more than a shade too conservative. Next year's Federal Election, to understand his point.

Montague L. Meyer (half-year).

**COMPANY MEETINGS**

Aeronautical and General Instruments, Croydon, 230.

Anglo Scottish Investment Trust, E.C. 245.

Ayer Hilton Tin Dredging, 7.

Boilis Buildings, E.C. 12.

British Empire Securities and General Trust, Saddlers' Hall, E.C. 12.

Equity Income Trust, New Court, E.C. 245.

Hartley Industrial Trust, Manchester, 12.

Imperial Continental Gas Association (half-year).

Imperial Continental Gas

# COMPANY NEWS + COMMENT

## Martin the Newsagent up 29% to £1.95m.

SALES, excluding VAT, for the year to September 28, 1975 of Martin the Newsagent expanded by 47.3 per cent. to £44.64m. and pre-tax profits advanced by 29 per cent. from £1.51m. to £1.85m. after a rise from £0.83m. to £1.11m. in the first half.

Basic earnings are shown to be up from 14.6p to 18.5p per 25p share and fully diluted from 14.1p to 18.5p. The dividend total is raised from £3.6604 to £3.9082 net with a final payment of 2.0871p.

1974-75 1973-74  
Sales excluding VAT £44,640,000 £30,360,000  
Trading profit 1,922,180 1,569,200  
Net prof. before tax 1,850,280 1,510,000  
Tax 929,000 733,920  
Net profit 981,280 776,080  
Extraord. credits 30,451 25,000  
Attrib. ord. 928,280 722,200  
Int. dividend paid 53,340 51,320  
Final proposed 71,320 58,000  
\*After depreciation 251,088 224,000  
Profits on sale of fixed assets 10,000 10,000  
Profits of £44.67 per cent. converted 10,000 10,000  
Exercised conversion rights and have allotted 73,353 New Ordinary shares. An additional 166,700 Ordinary shares were issued to exercise a 25p per share exercise scrip dividend. Ordinary share capital ranking for dividends is therefore £1.8512 per share.

During the year 20 new sites were opened, five purchased, and eight closed, giving a total of 411 (1974) at the year end.

Reorganisation and other measures taken improved the trading position in the second half and have enabled the Board to recommend a dividend of 0.35p net per 10p share. This compares with last year's total of 0.366p.

### INDEX TO COMPANY HIGHLIGHTS

Co.	Page	Col.	Co.	Page	Col.
Beachwood Construction	20	8	Lucas Industries	20	4
Bowring (C. T.)	21	1	Martin the Newsagent	20	1
Caffyns	20	3	Motor Rail	22	4
Cap. & Counties Prep.	22	4	Polymark	22	4
Caravans Int'l.	20	4	R.H.P.	22	5
City of Dublin Bank	20	4	Roberts Adlard	22	4
Compton Partners	20	8	Rusell (Alex.)	22	4
Crown House	21	1	Seaford Genitex	21	2
Fenner (J. H.)	22	5	Sutcliffe Speakman	20	5
Firth (G. M.)	20	2	U.C.M.	22	6
Hall & Earl	22	4	Venesta Int'l.	20	7
Int. Nickel	21	3	Wearra Group	20	1
Linfood Holdings	20	4	Williams (Ben.)	22	4

tors. Wearra Group, finished the year to September 30, 1975 with a pre-tax surplus of £33,228 compared with £141,118. Turnover was £4.3m. against £5.1m. including exports of £497,522 compared with £841,269.

The interim figures were adversely affected by results of certain manufacturing units previously closed, members are told.

## Caffyns first half growth

ON SALES down from £5.74m. to £2.67m. pre-tax profits of G. M. Firth (Metals) fell sharply from £305,000 to £20,000 in the half year to September 30, 1975. Stated net earnings slumped from 8.9p to 0.3p per 10p share.

Mr. G. M. Leadbeater is hopeful the first half will have coincided with the bottom of a steel industry recession of "extreme severity". There have been widespread losses in the industry across the world and in the circumstances "we take some comfort in having avoided a loss," he tells members.

The company operates in Kent and Sussex.

### Comment

The motor distributors have shown remarkable resilience in the light of the general trend in motor registrations. The strength of the used car market has been a great help.

Mr. Leadbeater sees signs of the de-stocking movement coming to an end in the U.K. and somewhat higher activity levels are being which in September meant that reported in the industry abroad. The manufacturer all but doubled their market share. The story, how-

ever, has been quite different in the second half. Demand has been poor for both old and new vehicles and only in the workshop has business been brisk, so considering the extent of the upsurge in the second half of 1974-75 little growth can be expected at that time. The shares at 77p yield 10.3 per cent. and the dividend looks fairly safe.

## Linfood's £1 1/2m. at midterm

ON SALES of £90.29m. profits of Linfood Holdings, the wholesale, retail and cash and carry distribution group, emerged at £1.49m. for the 28 weeks ended November 1974.

In view of the differing dates to which the preceding accounts were drawn up, the directors do not consider it meaningful to produce comparative figures for 1974.

For the previous period ended April 26, 1973 profits of £2.27m. were achieved from sales of £163.1m. Those figures included Associated Food Holdings for 32 weeks, including Upward and Rich since its acquisition on June 27, 1974, and Thomas Linnell and Sons for 56 weeks.

After tax of £97.000 the balance attributable for the 28 weeks ended November 25, 1974 were £1.49m. The directors declared a dividend of 4p net absorbing £897,000. For the previous period an interim equal to 2p was followed by a special interim in lieu of a final of 8p.

### Comment

The lack of any comparable figures at Linfood makes analysis difficult, but internal estimates suggest that the company may be achieving a 48 per cent. annual pre-tax. Yet this figure is influenced by some strong exceptional items. There has been a substantial turnaround at Wright and Green (this company moved out of the red in the second half of last year) while there have also been savings following a number of closures together with those of the May rights issue proceeds. So the performance to date is hardly any yardstick to future prospects, especially because the Christmas trade has been very slow to build up. The outcome then rests on a late Christmas bonanza for the food retail trade and to a lesser extent on the weather in January.

Mr. Leadbeater says that the group has been trading in a period of 12 months to March 31, 1975, up £21.47m. and profit was £725.477.

The interim dividend is stepped up from 1.4p to 1.7p per 25p share, but this is not to be taken as an indication of an increase for the year. Last year's net total was 4.8p.

A revaluation of properties discloses a surplus of £1.71m. on balance-sheet values.

The motor distributors have shown remarkable resilience in the light of the general trend in motor registrations. The strength of the used car market has been a great help and this is certainly true at Caffyns" although the company reaped a late bonanza from the British Leyland "Superdeal".

The company operates in Kent and Sussex.

### Comment

The directors state, however, that the group as a whole is expected to produce a "markedly better result" in the current year.

There should be an improvement as a result of reorganisation, while the major overseas companies are expected to maintain their profits, they add.

Stated earnings per 20p share for the past year were 0.25p (0.24p) on a net basis, and on a nil distribution basis 1.4p (1.22p). As before, there is no final dividend—an interim of 0.2p (0.7p) net has been paid.

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## INTERNATIONAL COMPANY NEWS + EURO MARKETS

## Profits to rise further at Deutsche Bank

By NICHOLAS COLCHESTER

DEUTSCHE BANK, West Germany's largest commercial bank, is clearly headed for another substantial increase in profit this year. Franz Ulrich, chairman, told the Press last Thursday that operating profits in the first ten months were DM472m. of almost 10 per cent. up on the equivalent figure for 1974. He said that the bank would thus be able to pay a maintained dividend of 20 per cent. and strengthen its reserves further.

The interim report shows that Deutsche Bank's net interest income rose by 43 per cent. to DM1.615m. This rise took place below, while the bank's interest income fell by 17.5 per cent. to DM2.354m. Net payments on deposits and borrowings fell by 28 per cent. to DM1.562m.

At the same time Deutsche Bank's volume of extended credit rose by 3.8 per cent. over the first 10 months of this year to DM32.07m. The greater part of this growth took place in the autumn.

The bank has done well out of its "service" business this year. Service income in the first 10 months was DM428m. and 13.4 per cent. higher than the equivalent figure for 1974. The most

Ruhrkohle breaking even

By GUY HAWTHIN

FRANKFURT, Dec. 15.

RUHRKOHLE, by far West Germany's largest coal producer, expects to end 1975 at around the break-even point. The forecast was made by Dr. Karlsheinz Bund, Executive Board chairman, in an article in the concern's house

Ruhrkohle's news is doubly reassuring because it has produced substantial deficits for a number of years. During 1974, the concern had reacted quickly to economic conditions and output for the year was likely to decline to around the 70m. tonnes mark.

The coming year was not expected to be an easy one, but energy demanded

small fall in the first half of the year. It then expanded in the second six months.

## KSH to pass its dividend

By MICHAEL VAN OS

AMSTERDAM, Dec. 15.

THE MANAGEMENT of Royal Scholten-Honig (KSH), the Dutch starch and foodstuffs group, wants to pass its dividend on the financial year ended August 31, 1975. The company paid Fm.3.40 per share for 1973-4.

Ahead of the annual report, the company added in a short financial statement that the profit per share had fallen from 12.75 to nil, on share capital which had raised by Fm.2.75m. net profit was zero against 12.75m. in 1973-74. KSH, which makes more than 80 per cent. of its sales outside Holland, said that the necessary selling price increases in the starch chemistry sector had been considerably affected. "If the

company had not been paired with a profit of Fm.23.8m. in October,

## Incentive buys into Abu

By JOHN WALKER

STOCKHOLM, Dec. 15.

INCENTIVE, a Swedish investment and industrial development company in the Wallenborg group, has purchased 80 per cent. of the area of Abu, a family owned manufacturer of sports fishing equipment with a world-wide reputation. With the backing of Incentive, Abu should be able to enlarge its planned expansion programme particularly in overseas markets. The company is already market leader in Scandinavia and occupies a strategic position in the U.S., Britain and Japan. At year Incentive group sales were Kr.1.3bn.

Abu sales should amount to about Kr.130m. (Fm.11m.) for the whole of this year, and some 80 per cent. of this is exported. Its main production is concentrated on high precision casting reels, fixed spool reels and lures. Contributing to Abu's success has been the consistently high quality of its products. Abu has produced tailor-made equipment for special markets such as for "match fishing" in England. Abu also holds one of the leading positions in the multiplier reel market in the U.S.A. Following the deal with Incentive, the Abu Board will remain unchanged, leaving his wife, son and

daughter as the beneficiaries. It is reported that about Kr.10m. (Fm.1m.) would be needed to meet this commitment, thus putting a strain on the company's financial resources.

One of the main factors contributing to Abu's success has been the consistently high quality of its products. Abu has produced tailor-made equipment for special markets such as for "match fishing" in England.

As a family concern owning all the Abu equity, the family has had the inevitable problem of "match fishing" in England.

Meanwhile, a Commerce Minister Gosta Gotsstrom, son of the founder of the company died last year. The Abu Board will remain unchanged.

## Credit Lyonnais unit bids for CLAM

PARIS, Dec. 15. France's nationalised bank ally published by the Brokers' Banque de Paris et des Pays Bas and Société Générale.

Trading in CLAM has been at a standstill since last June when the shares were quoted at Fm.89. Credit Lyonnais said its CLAM's issued capital of 120,000 shares is at the request of the French authorities in order to speed a reopening of the Paris International White Sugar Futures Market, whose operations were suspended in December 1974.

Meanwhile, a Commerce Minister Gosta Gotsstrom, son of the founder of the company died last year. The Abu Board will remain unchanged.

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## Pernod bid approaches successful

By RUPERT CORNWELL

PARIS, Dec. 15. PERNOD-RICARD, the French drinks group, has succeeded in takeover bids for its two smaller rivals, Cusenier and Distilleries Reunies. Cusenier and Distilleries Reunies announced some seven weeks ago.

This afternoon Pernod

announced it had acceptances for 91 per cent. of Cusenier shares and 95.5 per cent. of Distilleries Reunies.

Control of Cusenier will also secure it a majority stake in the larger concern of CDC, responsible in France for such brands as Chivas, Dubonnet and Byrrh.

The result means that Pernod-Ricard becomes easily the largest drinks group on the Continent of Europe, with annual sales in excess of Fm.3bn. It is not clear, however,

whether it plans a further offer to acquire the 46.4 per cent. of CDC remaining in other hands.

At the end of October Pernod

bids six of its own shares plus

Frs.40 in cash for every five

Cusenier shares. For every four

Distilleries Reunies shares, three

Pernod-Ricard shares were offered, as

well as Frs.8 in cash.

Observers who expected a strong rally based their belief on the LNCP's commitment to restructure private enterprise and rein back on government spending. What they may have ignored is the stock market tendency common in the U.K. as well as in America, to move on anticipation.

Among the election promises

were generous investment allow-

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payments.

However, these measures have

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share prices have enjoyed a

strong rally in that time.

Areas where investors ex-

pected a more sympathetic

Government response also be-

haved erratically. Wesselside

Bungh, a partner in the north

market level.

## Calm stock market reaction to Australian election result

By JAMES FORTH

AUSTRALIAN sharemarkets

took the massive week-end elec-

toral victory of the Liberal

National Country Party easily

when trading resumed to-day.

Despite many expectations that

the market would surge, prices

showed only a brief flurry before

settling. While rises topped falls

for the day, the Sydney All

Ordinary Index only edged up

marginally from 440.18 points to

440.83.

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SYDNEY, Dec. 15.

## Litton's longer term confidence

BEVERLY HILLS, Dec. 15.

LITTON INDUSTRIES will be an increasingly strong position to show better profits as the economy improves. Chairman Charles Thornton told the annual meeting.

Mr. Thornton added that he feels "confident and somewhat optimistic about the longer term outlook" for the company.

Litton President Fred O'Green also told shareholders the company expects to see a continuing improvement in its operations.

Mr. O'Green said any specific forecasts at the meeting.

Litton recently reported fiscal

first quarter to October 31 per

share earnings of 22 cents against 20 cents previously. Reuter

## TNT to raise \$A8m.

By JAMES FORTH

SYDNEY, Dec. 15.

THOMAS Nationwide Transport.

Major changes included the

Australia's largest transport

group, plans to raise \$A8m.

which is less than seven

years. Holders also had to have

the right to accept cash rather

than convert and there had to

be a minimum conversion price

of 90 per cent. of the

market price at the time of

issuance.

While the Government's inten-

tions have not been spelled out

in detail it may be that the TNT

promised during the election











# FINANCIAL TIMES SURVEY

Tuesday December 16 1975

## World Defence Industries

At a time when defence cuts in the U.K. have already been announced and with some further reductions now forecast, many other countries are increasing their spending on defence, especially on conventional arms, and most notably in the Soviet Union and Warsaw Pact countries.

DEFENCE IS one of the biggest industries in the world. While with overseas countries in recent years, figures are difficult to read, the latest estimates indicate that during 1975, total world's major arms suppliers, spending on armaments of ranking along with France after the U.S. and the Soviet Union in the U.S. and the Soviet Union in the Third World, at current prices, of supplying military equipment, such as NATO expenditures alone of all kinds to many countries, including those of the U.S. especially those in the Third World.

It is a trade that has evolved over many generations, stimulated by the U.K.'s own about \$110bn., with the latest largely by the U.K.'s own largely accounted for by particular expertise in aircraft in the "Third World," and shipbuilding—still two of such of this military spending the "best sellers" in the lists—domestic—on pay, veterans, but given a particular boost in the past 30 years as many domestically-manufactured previously dependent territories. But the world's nations have emerged as fully independent, in their own right, requiring supplies of major weapons export continues, on a massive scale, despite severe economic difficulties. As a business, it employs several thousands of people in many countries (such as the manufacturing industries—U.K.); and while there are direct in the case of aerospace and shipbuilding, but indirectly to reduce the volume of defence and social spending in some countries (again in the U.K.), there is a general escalation in arms spending in many parts of the world—in the Middle East and, for example, in the U.K. and elsewhere.

Defence spending in the U.K. alone for 1975-76 is budgeted at £4.7bn., but the cause of the scale of the Government's plans for substantially sensitive politically, and longer-term cuts in frequently conducted at a sound, aimed at getting the popular 1983-84, with some additional cuts next year to meet short-term budgetary restraints—while some deals may already announced by the Chancellor of the Exchequer.

Now, there is the threat of further substantial cuts, variously described as amounting to anything up to £1.3bn. required as part of the Government's overall bid to cut all public spending. Just how far the U.K. arms payments position. The manufacturing industries will be able to survive the savage reductions already being made, and grenades, for example, but this section reveals nothing for the first seven months of this year. For aircraft, the accounts are more revealing, in that they show overall exports for the BAC or Hawker Siddeley's most recent significant overseas contracts, and in fact has established a considerable rundown of first seven months of complete

activities over the years ahead, aircraft of over £51.5m., and Royal Ordnance Factories, to aircraft parts of £14.6m., but keep secret overseas arms Westland Sea King helicopters without breaking the total down deal involving perhaps a to West Germany and Norway, into civil and military aircraft hundred millions of pounds of Wasp helicopters to the Netherlands. For warships, aircraft, warships or military tanks, BAC Rapier missiles to trend towards blocking sales to specific countries for political reasons—some examples have included the ban on sales of aircraft and other equipment to South Africa, the sale of warships to Spain, and of military aircraft to Chile, while the Government maintains a strict control over the whole level of arms sales to the Middle East.

Not even the basic negotiations for fire anti-tank missiles can be kept secret for Belgium. Iran is also a substantial customer for the Chieftain tank.

It is almost as though there very long, even although substantial customer for the Chieftain tank.

This lack of statistics is surprising, for contrary to many general impressions, the arms

own in Egypt, and to start by for defence management

towards overseas customers may be in power, resulting in the deal being blocked.

This kind of uncertainty in the U.K.'s own political attitudes has already resulted in a number of major arms orders being placed with the U.K.'s competitors, such as France, and there is little doubt in the minds of many in the defence production industries that similar situations will occur in the future, unless some kind of formula can be found to take account of this situation.

### Attitudes

The arms manufacturers recognise that there are political sensitivities in some parts of the world that justify this kind of control, and no company would deliberately seek to violate any Government wishes in this field. Indeed, they often go to the other extreme, and by working closely with the Ministry of Defence's own Defence Sales Department make sure that they do not transgress even inadvertently.

But sometimes the pressures tend to be too restrictive. Rolls-Royce, for example, suffered as a result of labour difficulties over the repair and refurbishing of Avon aero-engines for Hunter military aircraft sold some time ago to Chile—prompting Sir Kenneth Keith, the chairman of the company, to comment that "if we black equipment or forbid permits because some people do not like a particular regime, it can affect not only that particular order but a lot of other orders, too.

Customers, whatever their

domestic political set-up, require reliability of delivery from their suppliers, and they do not expect sudden changes in political control at home or abroad to affect those deliveries.

The point is that very often a contract takes several years to deliver, especially if it is for a warship or a military aircraft of considerable complexity. The order may be placed under one Government

customer is hardly ever frustrated: if the U.K. does not honour its contracts, there are other countries in the world who do not have the same kind of political sensitivities who can and do step in to fill the gap.

And there are many in the U.K. arms industry who argue

that it can take many years—

perhaps even a generation—of

hard work to restore customer confidence that is once

destroyed.

## The big spenders

By MICHAEL DONNE, Defence Correspondent

has depended entirely upon the trade is conducted by the U.K. purchasing a quantity of British services. Hawker Siddeley Aviation has been highly successful in selling its Harrier and their associated Rolls-Royce Gem engines, and also either vertical take-off fighter to the U.K. and the Middle East and Iran. Some U.K. arms export deals have been to the Middle East and Iran and Australia, and Swingfire anti-tank missiles to specific countries for political reasons—some examples have included the ban on sales of aircraft and other equipment to South Africa, the sale of warships to Spain, and of military aircraft to Chile, while the Government maintains a strict control over the whole level of arms sales to the Middle East.

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## WORLD DEFENCE INDUSTRIES III

## Lack of standardisation in NATO

OF THE greatest causes might have done with that competitive world market, present is the continued lack capacity had we invested it of their own armed forces but standardisation among the more coherently. It is not only the waste of resources of its members, it is also to win substantial export orders if they can. There have been some considerable efforts to overcome this problem, however, most significantly in aerospace, where much of the current expenditure on arms in NATO is concentrated. The concept of international collaboration in the development and production of military aircraft and engines has been one of the linchpins of the European aerospace manufacturing industry for a long period of time, more particularly because of the savings in costs and the wider markets that could be achieved than because of the greater military effectiveness to NATO that such developments could provide. The latter has in many cases taken the form of an "unconventional bonus" rather than a deliberate aspect of standardisation policy.

There were signs of this situation changing, however, with the conception in the late 1960s of the Anglo-West German-Italian Multi-Role Combat Aircraft (MRCA), which became virtually the first major military aircraft (other than transports and helicopters) to be designed from the start as much to meet NATO standardisation needs as to share costs and widen market opportunities.

## Nationalism

Several other eminent NATO officers and administrators have when you look to see drawn attention to this problem as under development at over recent years, but it is true. There were 18 new lists. One of the reasons is proved types under development continued strong streak of nationalism—all of the members alliance. That means on of the alliance are determined as we had six times far as they can to promote their developments as we own armaments manufacturing—and think what we capabilities in an intensively

This venture, when it enters many of the individual members efforts to get the Anglo-French quantity production (hopefully of the alliance to retain substantial arms production industries Dassault/Breguet Jaguar into single military aircraft manufac-

ture of their own, both to meet their competition were frustrated exports. The second is that own Mirage F-1E. Even suggestions by the U.K. that the French should present a joint

MRCA programme, in return for the U.K. defence manufacturing a major share in any future collaborative military (and perhaps even civil) aerospace project

These decisions have been taken outside the framework of the Eurogroup, the committee that may be mooted among NATO member-States through such ventures as the designed to explore common weapons procurement within the alliance.

But it is clear that Eurogroup has a substantial task in front of it in the immediate future in defining areas for greater collaboration and standardisation, especially where relationships with the U.S. are concerned. The U.S. sells far more arms to other members of the alliance than they sell back to the U.S., and one of the major aims, especially on the part of the U.K., is to encourage much more of a "two-way street" in arms exchanges between America and the rest of NATO. Some preliminary discussions on this have already taken place, but much more is likely to be heard of it in the months ahead.

The point to be borne in mind about Eurogroup, however, is that collaborative development only becomes possible when defence equipment needs—whether aircraft, engines, tanks, guns or ammunition—of two or more nations are similar. The aim must be, therefore, to identify these needs as far in advance as possible so as to ensure that national planning can be collaborative. The effort required to reconcile different military, economic and industrial requirements and timescales is so substantial that it seems likely, therefore, that tangible results on further projects are likely to appear more in the 1980s and 1990s than in the current decade.

Michael Donne

## Cautious steps on SALT

JEAN RUSK, a former secretary of State, once because of the risk of retaliation, was not in a first strike MIRVs. The new agreement will include the provision for further negotiations on limitations and possible reductions in strategic arms in the period after 1985.

These ceilings are very high. They do not mean reductions. On present planning the U.S. will have just over 1,200 MIRV-equipped launchers by 1977 and the Soviet Union over 1,000 by the end of the decade—both below the permitted level. But the agreement should be more comprehensive than SALT I. It aims at including bombers and at doing something about the MIRV problem. The trouble is, however, that technology is once again moving faster than diplomacy.

In practice, however, it does not necessarily work like this. De facto nuclear parity already exists. Neither the U.S. nor the Soviet Union has the capability at present to destroy the other's power to retaliate, but they are not certain that this state of balance is permanent. It is possible that advances in technology could give one side a decisive advantage. There is no foreseeable SALT agreement which will eliminate this technological competition. SALT so far has been concerned with putting a ceiling on the number of nuclear weapons, but has done nothing to check qualitative improvements and it is the qualitative improvement—in such things as accuracy rather than increased yield—which matter.

SALT I consisted of two making technological agreements. The first and most significant severely limited the number of anti-ballistic missile systems to be deployed by both sides. This treaty has no time limit and prohibits an arms race in defensive missile systems.

The second is the interim agreement on strategic offensive missiles. This runs for five years and is due to expire in 1977. It provides for a freeze on the number of fixed land-based intercontinental ballistic missile launchers (ICBMs) and from time to time to reduce the number of submarine-launched ballistic missiles (SLBMs). All told, the U.S. is allowed up to 1,710 launchers and the Soviet Union 2,358, the largest Soviet number.

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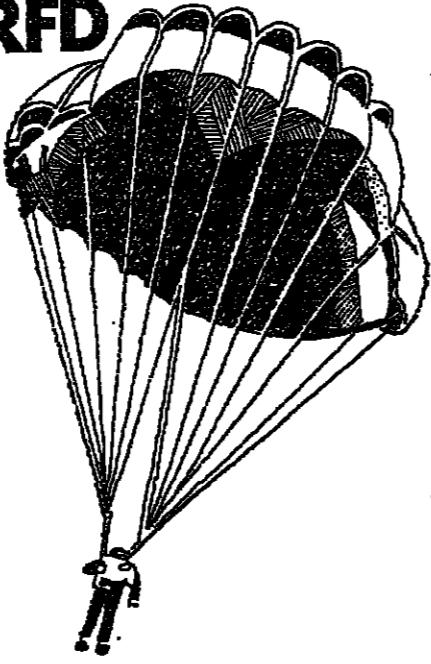
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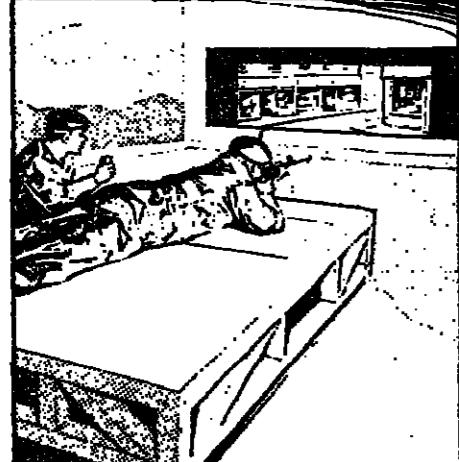
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HMS Amazon the first of the Type 21 frigates designed by Vosper Thornycroft is in commission in the Royal Navy. (Photograph: Page 27) Frigates are the fast major surface warships to be designed by commercial shipbuilders for the Royal Navy.

Illustration of the Type 21 frigate.

## WORLD DEFENCE INDUSTRIES IV

# China's emergence

CHINA HAS the largest standing army in the world, yet its military budget which is trifling by the standards of the super-powers. In many ways China has an excellent claim to be a Great Power. Peking would certainly consider itself one; in terms of history and culture many of the so-called developed countries of the West are almost barbarian beside China: in terms of influence, whatever China does today, indeed whatever China thinks today, is scrutinised by other nations just as closely as the actions of the Soviet Union and the U.S. In terms of political systems and political thought, China has added a new dimension to the world: in terms of its vast population and rich resources, it has a strong claim to greatness. Yet that same population immediately drags China down to the level of a poor country, almost as poor as India.

All these contradictory and often conflicting pulls are nowhere better reflected than in China's defence position and posturing. Peking would probably love to be able to match the Kremlin's might, and would be much happier for its own security if it could. But all the time it has to balance the need to feed the vast population and to keep general industry supplied with raw materials and up-to-date equipment with the demands of the defence chiefs.

For these reasons, China's defence industries have been run on a proverbial shoestring among smaller nations will inhibit Great Power dominance.

China kept noticeably quiet when India tested its first nuclear device.

Nuclear tests have continued steadily since the first in October 1964 and have included tower shots, drops from aircraft, missile firing and an underground test. American sources say that China has between 20 and 30 Intermediate Range Ballistic Missiles (IRBM) and about 50 medium range ballistic missiles (MRBM). The MRE3 is single-stage, liquid-propelled with a range of 800 miles and it can be transported; the 1,500 mile IRBM is deployed in permanent sites, and is also single-stage and liquid fuelled. China can use the Tu-16 aircraft, which has a range of 1,500 nautical miles, for delivery of the nuclear weapons as well as the nuclear weapons as well as the shorter-range IL-28 bomber. China has one G-class nuclear submarine with missile launching tubes, but no missiles have yet appeared.

In its land forces China has more than 3m. troops, divided into more than 120 infantry divisions. The raising of 15 new divisions in the past four years reflects the views of Chairman Mao Tse-tung about a "people's war" and his belief that "men are more important than weapons". Many of the new divisions have been committed to the border with the Soviet Union, but the main forces are deep in Chinese territory, leaving the frontier

to militia units which would probably be swept quickly aside in the event of any invasion.

As to equipment, most Western experts think that Chinese arms production is neither as good nor as modern as that of either the Soviet Union or the U.S. The main Chinese battle tank, for example, is the T-59, a version of the old Soviet T-54. But in recent years the Chinese seem to have committed more money to lighter weapons, better suited for an army on the move. Admiral Moorer, the chairman of the U.S. Joint Chiefs of Staff, noted in January this year that China had "a large inventory of crew-served weapons, including particularly a native-designed 82mm. recoilless gun and thousands of RPG-2/7 weapons (the Chinese version of the Soviet 82mm. shoulder-fired grenade launcher)".

The Chinese navy has grown quickly in recent years and now numbers about 250,000 men and more than 1,000 vessels, making it the third largest in the world. But it has an odd mixture of vessels, mostly old destroyers, fast modern Chinese designed patrol boats, and an increasing number of submarines, now believed to total about 60 and possibly including a nuclear powered submarine. China is pushing ahead with the fast torpedo and gun boats, armed with surface-to-surface missiles and suited to coastal defence.

It is also pressing on with submarine building and with upgrading the destroyer fleet. In the past few years the Chinese have developed their own designs for both submarines and destroyers.

China's air force suffered badly in the political turmoil following the disappearance of the disgraced Lin Piao. A large number of senior air force officers lost their jobs after Marshal Lin's attempted coup because of his close association with their wing. The bulk of China's aircraft are the ageing MiG 17s and 19s, IL-18s and TU-16s, all of basic Soviet design. In 1971 the Chinese produced their own fighter, the F-9, a daytime fighter-interceptor, capable of 30,000 feet ceiling and a speed of up to Mach 2. There may now be 400 of these, according to U.S. defence specialists, compared with more than 3,000 MiGs. However, the F-9 appears to have run into production difficulties recently.

China's military budget is difficult to work out, but spending is generally reckoned to be just over 25 per cent. of U.S. and Soviet military budgets. Nevertheless, China has some advantages. For more than 25 years it has relied slavishly on Soviet designs for its main stock of weapons. But Peking now seems to be determined to develop its own specialities. (Few of the

Kevin Raffi  
Asia Correspondent

## Nuclear developments

WHEN, ON MAY 18, 1974, the Indian Government exploded a so-called "peaceful nuclear explosive" (PNE) it initiated a chain reaction of diplomatic activity to which there is no end in sight yet. The fissile material for the Indian explosion, plutonium-239, had been extracted from Candu reactors supplied by the Canadians — a nation which has renounced nuclear weapons — on conspicuously favourable commercial terms. As a result the Canadians are taking vastly more care over the terms on which they will transfer any nuclear technology to another state, not least to Britain's chagrin, for U.K. industry was anticipating help — still withheld — with some key features of the pressure-tube type of reactor, of which Candu is perhaps the most experienced example.

Although the Indians have constantly stressed that their motives in developing nuclear explosives are wholly peaceful, from the standpoint of monitoring nuclear weapon activities no useful distinction can be drawn between PNEs and weapons of war. In more practical terms, it would normally be considered important that the PNE should be "clean" — radioactively, implying a nuclear fusion (H-bomb) type of explosion rather than a simple fission (A-bomb) explosion such as plutonium-239 alone would produce.

Other likely requirements of the PNE are that it should be directional in its effects, and very slender to minimise the cost of boring the hole if, as is likely, it is to be exploded deep in the ground, say to release gas or oil. Moreover, environmental conditions a mile or so underground would be very different from any faced by a weapon. In short, useful PNEs need to be very specifically tailored to their task.

"Technology has given Goliath a club so heavy he cannot lift it" is the wry comment a senior U.S. Government scientific adviser has made on the PNE. Only two nations, before India, overtly developed the PNE: the Soviet Union, which has used a couple in earnest, to extinguish an oil well fire and to seal off a gusher, and the U.S. with its highly diversified Plowshare programme dating from 1957 (the same year as the first U.S. underground nuclear weapons test).

The Plowshare programme publicised several prospective applications for PNEs, such as large-scale earthmoving and the extraction of ore, gas, oil and geothermal heat from deep in the earth. One of the latest

ideas — from the Los Alamos National Laboratory where the first nuclear weapons were made — is a method of steam-raising for central power generation in which 50-kiloton PNEs would be exploded deep underground at the rate of about two a day.

Counterbalancing the euphoria of Plowshare — which once estimated the cost of a nuclear explosion at one-hundredth of the cost of TNT — is the fact that when projects are carefully costed they no longer appear self-evidently attractive. Projects studied have included the idea of cutting a new route through the Bristol Mountains in California, and of digging a new deep-water harbour in north-western Australia. An additional expense is that any nation providing PNE technology would need to include some provision for self-destruction should the PNE fail to explode.

### Restriction

A further restriction is the Limited Test Ban Treaty of 1963, which restricts any releases of radioactivity from a PNE to territorial limits. On this basis alone it would appear that only those nations with vast undeveloped expanses, such as the USSR, China, and perhaps India, are likely to use PNEs.

But there is always the tantalising possibility that the ideal application for the PNE has not yet been spotted. In any event, the reluctance of the PNE or the U.S. to part with PNEs or the technology behind them — because of their obvious association with weapons — has convinced some countries that a valuable technology is being wilfully withheld. This incentive alone will encourage some governments to research the technology of nuclear explosives.

The focus of greatest concern among those nations already possessing nuclear weapons, or which are poised to export technology which could provide access to weapons, are those nations which have refused to sign the Non-Proliferation Treaty (NPT) of 1970. The NPT pledges non-nuclear nations not to acquire nuclear explosives. Among the non-signatories with declared nuclear power aspirations are Argentina, Brazil, Chile, India, Israel and South Africa. These nations all have an interest in nuclear energy that reaches well beyond the operation of nuclear reactors as electricity generators. All have an interest in the "fuel cycle" — the complex processes involved in manufacturing and recycling nuclear fuel. These are also the processes required to refine fissile materials for nuclear explosives.

The simplest route available at present is the reprocessing of spent nuclear fuel removed from the reactor, to separate its plutonium-239 component formed by transmutation while the fuel was undergoing its nuclear reactions. This was the route followed by the Indians at their reprocessing plant at Trombay. The chemistry involved is not specially complex and certainly has not been kept secret. The main obstacle for would-be reprocessors has been the fact that spent fuel is highly radioactive and all operations have to be conducted remotely, behind thick concrete walls, with great difficulties of access should anything go awry. The considerable expense and the well-publicised difficulties

of reprocessing processes, afford some possibility of achieving levels of enrichment by much more easily concealed reprocessing plants.

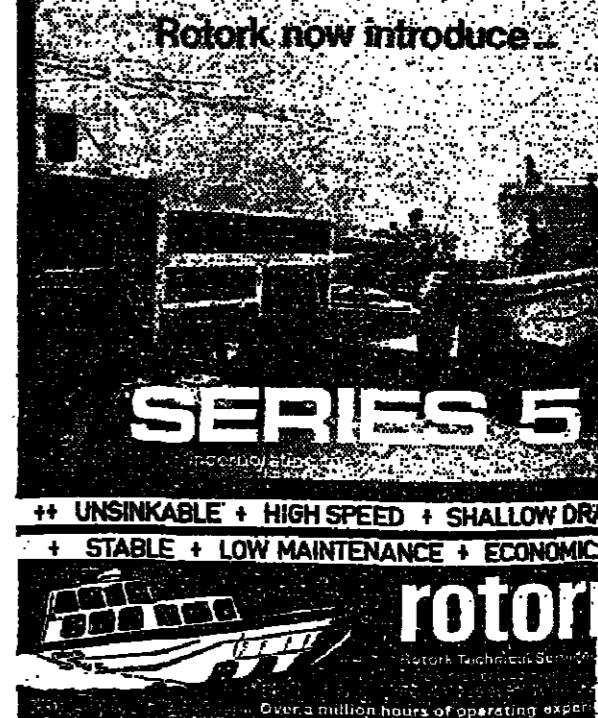
The more difficult route is uranium enrichment. Where nuclear fuel requires, on average, a four-fold enrichment of the fissile uranium-235 isotope from 0.7 to about 2.5 per cent, a nuclear explosive requires nearly pure uranium-235. But

such safeguards as circumvention that fissile material might be diverted to clandestine or illegal attempts to divert plutonium from a reprocessing plant without being detected. While inspectors did their best to frustrate the violations, it was code-name Circus — because, as one participant puts it, "we were a lot of clowns to take part." In the 1950s British nuclear scientists staged secret exercises in which management teams simulated attempts to divert plutonium from a reprocessing plant.

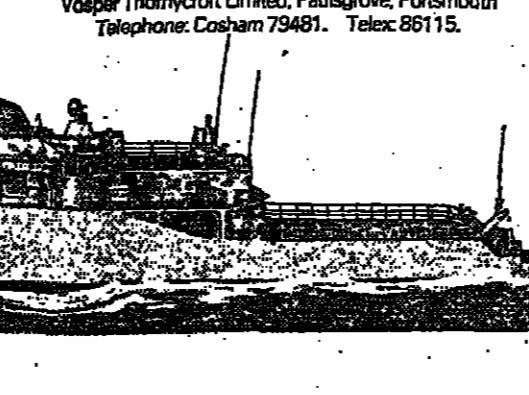
The technology of uranium enrichment has been more closely guarded than any other facet of nuclear technology. Unlike reprocessing, anyone wishing to embark on enrichment could get little help from the literature on how to implement the two dozen or so theoretical routes. Nevertheless, certain nations have persisted, with the result that nations known to possess enrichment technology potentially capable of making nuclear explosives include the U.S., USSR, Britain, France, China, West Germany, Holland and South Africa. Moreover, every nation with indigenous uranium resources can make a plausible case for possessing enrichment, as the means for doubling the value of its uranium in the world market for nuclear fuel. Even nations lacking indigenous uranium but having large hydro-electric resources — Zaire, for example — can make a case for using those resources to enrich uranium and so "store" their hydro-electricity in a form that is readily transported anywhere in the world.

Thus pressures are already high and still increasing for the proliferation of uranium enrichment. The chief safeguards remain the secrecy surrounding most of the technology, and the fact that such routes as gaseous diffusion and the "stationary gassed centrifuge" necessitate not only very large factories but immense inputs of electricity, believed impossible to conceal from satellite surveillance. Other technologies, however, including the gas centrifuge, laser and spinning

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HMS Amazon the first of the Type 21 frigates designed by Vosper Thornycroft is in commission in the Royal Navy. (Photograph: Page 27) Frigates are the fast major surface warships to be designed by commercial shipbuilders for the Royal Navy.

Illustration of the Type 21 frigate.

1975

## WORLD DEFENCE INDUSTRIES V

## French position

FOR THE FIRST time in several years there is a self-confidence of but also by Belgium, hitherto a shroud of uncertainty over the market. France's arms manufacturers is a faithful client of the company, future of the ACF — the little shaky. Not that, on the was at first dismissed, merely advanced combat aircraft or France will certainly go on as slavish Atlanticism on the part of the Four. France alone, 75 export orders for the full if it was pointed out bitterly in 1974 — a year that itself saw a sophisticated range of Paris, was truly "European" by almost 40 per cent over old M. Marcel Dassault, whose company has more or less single-handed equipped the French Air Force since the war, was quick to let it be known that only his pride would be hurt, and not his pocket.

And it was, and is, quite true that orders for the Mirage and other French hardware continue to arrive from a Third World, keen to show its independence from either of the super powers. But the loss of the replacement contract has underlined one formerly forgotten aspect of French arms sales — the reliance on clients among the oil producers and the developing countries.

Of 1974's total arms orders of Frs. 19.7bn., only 8.7 per cent originated from France's eight EEC partners. Two per cent came from France's former African colonies, and slightly more from the U.S. Almost 87 per cent — for six tanks, missiles or Mirages in every seven — was placed by other nations. No less than 28 per cent of French trade with the oil producers is accounted for by arms. But as the industry is keenly aware, these markets can change with shift in the political wind, and contracts are notoriously difficult to secure. Negotiations are still under way for the giant tri-lateral "arms industry" where Saudi money would build factories in Egypt to produce French weapons.

But there are also signs that the crest of the wave may have passed. The interest from the Middle East, from Africa, from America is still very much there, but the failure of France in the so-called "arms deal of the century," the 1,500 aircraft replacement order for the elite Starfighters in service in four NATO airforces, was a severe blow. It is perhaps only that its full consequences are emerging, but the changes which have already followed and which may follow have implications not only for the arms industry itself, but for the entire defence policy of France.

The rejection of Dassault's latest Mirage F-1 by not only

almost every State visited by a head leader to Paris has been muted, secretly or overtly, the prospect of arms sales at the time the air is thick with sour and righteous denials; frequently weeks, months, even years later comes news of a contract signed. As a result of exports now provide just Frs. 8bn. (280m.) of exchange every year, this year will make the difference between merely breaking even and the handsome plus which the Government expects on French foreign trade.

But behind this facade of success, worries are growing. In it is because the industry is the victim of its own success. Exports alone represent 2 per cent of the GNP. Its factories employ some 600,000, of whom a Parliament defence expert M. Michel Billières has calculated that 100 are working for export, upset in the flow of foreigners could obviously have profound effects on the country's economy.

Now, however, the signs are that the victory of the U.S.-built Y-16 over the Mirage F-1 last summer is producing second thoughts in France. Export successes have maintained production lines so that the independent image of a French defence force "made in France" can be kept up. The French now realise the alternative is a virtual U.S.

Rupert Cornwell

## Victory

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For the time being, though, "Super-Mirage" is to peddle its high quality armament wares to allcomers — at last as the staple of the French Air Force. In the sober light of pragmatism and lack of discrimination that makes it a distinctly TSR-2 aura envy and the irritation of its around the project. The ACF is now seems too versatile, its very sophistication pushing its costs to levels that France alone could not sustain, without which has just taken delivery of 40 Mirages is a good example, while the arms connection has kept lines open to several of them which have been previously requested by Air Force chiefs would cost alternative to the super-powers Frs. 20bn., or over £2bn. This figure can be compared with the total defence budget for 1976, of "only" Frs. 50bn. (5.5bn.) A final decision on the ACF is expected later this month.

The answer clearly then is to strengthen co-operation with France's European partners, especially in the case of the latter and the Mirage, military success has made up for civilian failure. For Aerospatiale — tried and tested by the sales flops of both the supersonic Concorde, for which it is the French partner, and the Airbus — helicopters sales, in the form of the successful Puma and Alouette models, have provided a welcome profitable sector.

But the other names are perhaps less expected. Saviem and Berliet, now both subsidiaries of Renault, have long derived a useful (in the case of Berliet about 15 per cent) share of their sales from military equipment; in their case army trucks, and armed personnel carriers. Panhard, once a car subsidiary of Ciroen, now exclusively makes armoured cars and other military ware. Thomson-CSF, a limb of France's second largest electrical group is a long-standing specialist in radar and other weapons systems, while the State computer company CII also is involved. Thus arms are jam, and sometimes the bread itself, for several of France's most powerful companies.

For all the qualifications with which acceptance has been hedged, it is an important step towards closer European defence co-operation. The rewards, the French Government hopes, might be twofold: a lowering of costs by reducing duplication, and by improving its own hitherto mulish image, which is also involved. Thus arms are now, and sometimes the bread itself, for several of France's most powerful companies.

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